GFM Wealth Advisory | TRADE SECRETS

May 2016

SMSF Specialists | Investment Management | Financial Planning | Accounting

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2016 FEDERAL BUDGET

By Paul Nicol

On Tuesday the 3rd of May 2016, the Government delivered the 2016-17 Federal Budget before a looming double dissolution election. And it is amazing how quickly things can change in 12 months.

In 2015, under a Tony Abbott led Coalition, we were promised "There will be no new taxes on superannuation under this government", and "There are no plans to make adverse changes to superannuation in the future". Alas, these promises did not last long.

Superannuation was a key focus of the 2016 Budget with the announced proposals the most significant changes to the system since Peter Costello's "Simpler Super" package was announced in the 2006-07 Budget.

Substantial changes within Superannuation have been proposed to both pre-tax and post-tax contributions, Transition to Retirement pensions (TtR's) and limits have been imposed on the level of funds you can have invested in the Superannuation pension phase enjoying tax free earnings.

Without being too editorial, our general house view is that many of the proposed Superannuation changes are flawed and will be incredibly difficult to administer.

The objective of superannuation is to allow people to save for a financially secure retirement. Research shows that most people make significant contributions to superannuation in a short period once they reach their late-50s. Capacity to make these 'top-up' contributions for pre-retirees is critical to ensure a financially secure retirement. Sadly, many of the budget measures will prevent significant 'top-up' contributions in a short period of time, which we view as extremely short sighted.

The level of enquires we have received from existing and prospective clients post budget night has been considerable. It is important to note these proposed changes to superannuation are just that – proposed. We would strongly recommend against repositioning our clients superannuation strategies until these proposed measures are legislated.

It is also important to understand the effective starting date of most of the proposed changes is not until 1 July 2017, so it is a distinct possibility there may be some alterations to the measures introduced before being legislated and it also gives everyone a bit of time to get organised.

If legislated, the announced proposals will make superannuation even more complex. It is virtually impossible for the average person to understand the complexities of the superannuation system and high quality advice will be paramount.

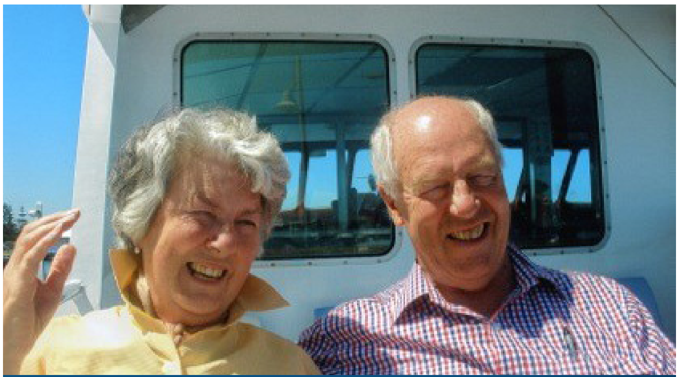
We are holding a seminar specifically on the 2016 Federal Budget on Wednesday June 1 at 7 pm at Riversdale Golf Club. At this seminar we will provide a thorough explanation of the proposed superannuation changes and how they might impact you, but importantly, how to best navigate these changes. Please contact Mai Davies from our office if you would like to attend.

We also have a comprehensive budget analysis on our website in the blog section; www.gfmwealth.com.au

ROB & GEORGIE TILL: CLIENTS OF GFM SINCE 1994

By Patrick Malcolm

Rob and Georgie have kindly written the article below on their working life, retirement and the relationship they have had with our company since 1994. We greatly appreciate their contribution to Trade Secrets.



Rob & Georgie Till

Gilham Financial Management Pty Ltd
ABN 69 006 679 394
Australian Financial Services Licence No. 229401

190 Through Road, Camberwell VIC 3124
T: (03) 9809 1221 F: (03) 9809 2055
enquiry@gfmwealth.com.au www.gfmwealth.com.au

We have been clients of GFM since August 1994, initially in the days GFM was also an Insurance Broker.

Georgie and I have been married for 43 years, we met in Winchester (UK) whilst I was a serving officer in the British Army having spent 10 years in the Parachute Regiment jumping out of RAF aircraft then programming computers (that's military career planning!). Georgie was a qualified nurse having grown up in country NSW before moving to the UK. I retired from the Army and we moved to Melbourne where I continued in the IT Project Management world for another 25 years. Georgie gave up nursing and used her experience in several medical practices where she continues to work part-time.

Retirement from the British Army provided a pension, not a lump sum for investment, and this was before the days of compulsory superannuation. We saved as much as we were able after raising two children on one income and paying off our mortgage at 17.5%! We ran our own small SMSF for a few years then realised that we needed more professional advice, especially to understand and manage our investment risk profile. We looked around the advisory industry and were not impressed! Most advisors were offering a range of "in-house" investments with no real attempt to understand our own needs. It was very much investment by rote.

When we spoke to Tony Gilham it was quite different as he worked to understand our needs and plans for the future. The investments we already owned were evaluated and an investment strategy formulated. We finally had a solution which met our needs and which was amended as our situation changed.

Since then the conversation has continued, initially with Tony Gilham and now with Patrick Malcolm. The reviews are always detailed with much discussion about general portfolio performance or close evaluation of a particular investment. Questions are encouraged and challenges are welcomed as Patrick and I agree on the next course of action. We are seen as partners in our relationship with GFM and not just clients to be told what to do.

Now some 37 years after arriving in Australia we live quietly on a couple of acres in Harkaway where Georgie runs a large garden. I am involved with St Paul's Cathedral, act as Treasurer for a couple of not-for-profits and build and fly large scale aeroplanes. We have two grandchildren in Melbourne.

As GFM has grown over the years, both in staff and services, the personal professional relationship has remained. We have been well advised throughout and appreciate the seminars during the year to provide a wider perspective on the financial world in which we all operate.

We are always pleased to refer family and friends to GFM as we know that they will receive the same care and service that is extended to all clients. We emphasise that they will not be made to feel inadequate if starting out as a small or novice investor, after all our education has taken 22 years with GFM!

GFM GRUCHY ACCOUNTING BECOMES A CPA AUSTRALIA FIRM

By Paul Nicol

We are very happy to announce, that after some considerable time and effort, GFM Gruchy has become a registered CPA Australia firm.

CPA Australia is one of the world's largest accounting bodies. Being a CPA firm is a mark of professionalism and members are recognized as having a high level of knowledge, providing quality advice. CPA Australia members are obliged to participate in continuing professional development (CPD) and must adhere to a strict ethics and governance code.

Going forward, on all our GFM Gruchy stationery the CPA Australia logo will appear:

Well done to all the GFM Gruchy team on achieving this status!

GFM Gruchy Team

CASE STUDY: THE ADVANTAGES OF TRANSFERRING ASSETS INTO A SELF MANAGED SUPER FUND

By Nicola Beswick

In the last edition of Trade Secrets, we discussed the benefits of transferring assets held in your personal name, to a Self-Managed Superannuation Fund (SMSF).

The ability to transfer assets into an SMSF is a unique advantage that SMSFs have over most public-offer and retail funds. There are restrictions on the types of assets held in a person's name which can be transferred into superannuation. However, the most commonly transferred asset from a person's name to their SMSF is listed shares.

The shares can be transferred into a SMSF in two ways:

- As an "in-specie" contribution to the fund, whereby the contribution is allocated to a member's benefit as either a concessional or non-concessional contribution; or
- The fund purchasing the shares from the member, using the fund's cash holdings.

One advantage of holding these shares within the fund, compared to holding them in a personal name, is the difference in tax rates between the two entities. The table below compares the tax rates between different entities:

Owner:	Income Tax (inclusive of Medicare Levy)	Capital Gains Tax for assets held less than 12 months	Capital Gains Tax for assets held more than 12 months
Personally – tax can be up to:	49%	49%	24.5%
Super Fund in accumulation phase	15%	15%	10%
Super Fund in pension phase	Nil	Nil	Nil

Case Study

Let's compare these points, based on the following share portfolio:

	Purchase Price*	Current Value	Capital Gain	Forecasted Dividends p.a. ($)	Dividends plus Franking Credits ($)
BHP Billiton Limited	$9,357.00	$5,952.00	-$3,405.00	$179.69	$256.70
Commonwealth Bank of Australia	$26,661.60	$68,402.00	$41,740.40	$3,880.25	$5,543.22
Telstra Corporation Limited	$15,862.00	$22,886.60	$7,024.60	$1,352.59	$1,932.26
Wesfarmers Limited	$6,450.00	$11,805.00	$5,355.00	$598.08	$854.40
Total	$58,330.60	$109,045.60	$50,715.00	$6,010.61	$8,586.58
Discounted Capital Gain:			$25,357.50	Franking Credits:	$2,575.97

*Assumed that there is no dividend reinvestment, and all dividends are paid out as cash.

Dividends and franking credits

As discussed, the benefit of holding investments within superannuation is that the dividends and attached franking credits will be taxed within the superannuation environment, compared to a person's marginal tax rate (MTR).

Franking credits are tax credits that are passed on to the shareholder, for tax that the company (e.g. Telstra) has already paid to the ATO. This therefore prevents both the company and the shareholder from being taxed.

If these shares are held within the superannuation pension phase, all dividends and attached franking credits are taxed at a rate of 0%. Therefore, the dividends that a person receives from their investments are not taxed. Further, the superannuation fund will receive a refund of the franking credits – i.e. in this example, $2,575.97 – that are attached to the shares.

Compare this to a situation in which the same share portfolio is held in an individual's name. The company tax rate is a flat 30%. Therefore, if a person is on the highest marginal tax rate (49%), there would be no refund on the franking credits, as these credits would be absorbed in assisting to offset the individual's personal income tax, understanding an additional 19% in tax would need to be paid

Capital Gains Tax

The next benefit of holding assets within super is the tax payable on any gains when the assets are sold.

When an individual sells an asset and makes a gain, capital gains tax is payable, subject to a 50% concession where the investment has been held for a period of longer than 12 months.

If we assume that the above share portfolio is held in an individual's name, and are subsequently sold, the capital gain would be added to the person's assessable income, and taxed at their MTR. If the shares were held for less than 12 months, 100% of the gain would be added to their assessable income; whereas if the shares were held for longer than 12 months, then 50% of the total gain would be added to their assessable income.

Compare this to the amount of tax payable where the shares are subsequently sold whilst being held in superannuation. As outlined in Table 1 where assets are sold whilst in accumulation phase, the capital gain would be taxed at a flat 10% if held for more than 12 months, or 15% if held for less than 12 months. However, if the superannuation fund was in the pension phase, the capital gains tax rate is 0%. Let's compare these scenarios using the above share portfolio, in Table 3 below:

	Personal Name - MTR 49%	Personal Name - MTR 49%	Super Fund in accumulation - MTR 15%	Super Fund in accumulation - MTR 10%	Super Fund in pension phase - MTR 0%
	Held for less than 12 months	Held for more than 12 months	Held for less than 12 months	Held for more than 12 months	N/A
Gross Capital Gain	$50,715.00	$50,715.00	$50,715.00	$50,715.00	$50,715.00
Assessable Capital Gain	$50,715.00	$25,357.50	$50,715.00	$50,715.00	$0.00
Tax Payable	$24,850.35	$12,425.18	$7,607.25	$5,071.50	$0.00

Implications of transferring shares into super

Let's assume that Peter, holds the above share portfolio in is personal name. Peter is on the highest MTR, and wants to take advantage of the benefits of holding these shares in his SMSF – specifically the return of the franking credits.

As Peter is transferring these shares from his personal name to the SMSF, there is a change in the beneficial owner, and therefore tax on the capital gain has to be taken into consideration. Assuming, Peter has held the shares for more than 12 months, 50% of the capital gain (i.e. $25,357) is added on to his assessable income and taxed accordingly at his MTR. This results in him paying an additional $12,425 of tax, in his personal name.

However, the real benefit is where Peter's SMSF receives a refund of the franking credits attached to the dividends. The franking credits would have ordinarily be absorbed into offsetting Peter's personal income tax. As previously noted, the franking credits return company tax already paid at a rate of 30%, however with Peter being on a MTR of 49%, Peter is paying an additional 19%, or $1,631, of tax on the income received from these shares.

However assuming Peter's SMSF is in the pension phase, with a 0% income tax rate, the franking credits are refunded to the SMSF – Peter's SMSF now receives the $2,576 in franking credits back each year.

Assuming the SMSF continues to receive the $2,576 franking credit refund each year, and taking into account the additional 19%, or $1,631 each year that Peter previously paid in tax in his personal name, on a cash basis, it would take just under 3 years of holding the same share portfolio, within the SMSF, to offset the capital gains tax that Peter initially incurred when he transferred the shares from his personal name into the SMSF.

While capital gains tax is now payable in Peter's name, due to this transfer, when shares are transferred into the SMSF, effectively the capital gains tax clock, has now been stopped. Any capital gains the shares to make within the SMSF from the transfer date will now be taxed at the more generous tax rates that superannuation funds currently receive. For example, if the same parcel of shares in Peter's SMSF increases by $25,000, and he decides to sell the shares, if the SMSF is in the pension phase, all capital gains are tax free. No capital gains tax is paid and the total $25,000 profit made from the shares sale is retained.

Be careful

Before transferring shares, or other assets, held in your personal name into superannuation, there are some points to note:

- Transferring the shares from your personal name to superannuation creates a capital gains event and therefore capital gains tax may have to be paid in a person's individual name.
- There are limits or caps, to the value of assets that can be contributed into super, and caution should be taken to ensure these limits are not breached.

In summary

There are several distinct reasons for holding assets in superannuation, and transferring assets from your personal name into super is an effective way of increasing your superannuation savings.

However there are many factors to this strategy that need to be taken into consideration. Therefore advice from a professional, regarding your personal situation, should always be obtained.

SMSF ASSOCIATION ANNUAL CONFERENCE: FEBRUARY 2016

By Tony Gilham

The SMSF Association is the peak body representing SMSF trustees, SMSF advisers and other service providers, in all things to do with the good health of the SMSF sector in Australia. We commenced membership of the SMSF Association in 2003.

The Association runs a three-day annual conference on all sorts of technical SMSF matters. This year the annual conference was in Adelaide, and four members of our team attended. We pick up valuable information that helps us fine tune our SMSF advice and delivery processes by attending the conference each year.

Melany McLennan, Paul Nicol, Witi Suma & Tony Gilham

The conference is very much a technical conference. We heard from a range of professionals including actuaries, estate planning specialists, accountants, legal practitioners, auditors and even a psychologist. We also had presentations from the Federal Treasurer, Scott Morrison, as well as senior representatives from the ATO and Federal Treasury.

Without question, the SMSF sector is in good shape and well regulated, and continues to grow at a strong pace.

OVERVIEW OF THE FEES AND CHARGES THAT RELATE TO BEING IN AN AGED CARE FACILITY

By Patrick Malcolm

In the last edition of Trade Secrets, we provided an overview of the steps a person needs to follow to access Government subsidised aged care and stressed that planning ahead is important as some steps may take time to complete.

The article below provides an overview of the fees and charges that relate to being in an aged care facility. The fees likely to be paid by a resident depend on the resident's means as well as the pricing structure of the facility.

A resident in aged care may pay the following:

- Standard resident contribution fee otherwise known as the basic daily care fee
- Means tested care fee
- Accommodation contribution or an accommodation payment
- Additional charges / extra services fee

Standard resident contribution fee

The standard resident contribution is an amount equal to 85% of the basic age pension amount (currently $48.25 per day). The standard resident contribution is payable by all residents unless a financial hardship determination is in force.

Means tested care fee

The means tested care fee is an additional contribution towards the cost of care that some people may be required to pay. The Department of Human Services will work out if you are required to pay this fee based on an assessment of your income and assets. Please note that with members of a couple, half of their combined income and assets are considered in determining the means-tested care fee, regardless of which partner earns the income or owns the asset.

There are annual and lifetime caps that apply to the means-tested care fee. Once these caps are reached, you cannot be asked to pay any more means-tested care fees.

Accommodation Payment or Accommodation Contribution

Whether an aged care resident can be asked to pay an accommodation payment or an accommodation contribution depends on whether they can be asked to pay a means tested fee.

Residents who pay a means tested fee will be subject to an accommodation payment. Residents who do not pay a means tested fee will be asked to pay an accommodation contribution.

Accommodation Payments

Residents who pay a means tested fee will be asked to pay an accommodation payment. These payments may be made through either:

- Refundable Accommodation Deposit (RAD). A RAD is an amount of accommodation payment paid as a lump sum (refundable deposit).
- Daily Accommodation Payment (DAP). A DAP is an amount of accommodation payment paid as a daily payment.

The resident has up to 28 days after date of entry to decide how they wish to pay for their accommodation.

Accommodation Contribution

A resident will be asked to pay an accommodation contribution if they have a means tested amount (at time of entry) less than the maximum accommodation supplement ($53.84 per day as at 20 September 2015).

Fees for extra services or other additional care and services

Additional fees may apply if you choose a higher standard of accommodation or additional services. Extra service fees apply to residents in an extra service place. They are regulated and are intended to cover a higher standard of accommodation or services. Aged care homes with dedicated extra service places are now required to publish their extra service fees on the My Aged Care website, their own website and in other relevant materials they provide to prospective residents.

Other additional care and services and associated fees are not regulated, and are agreed between the resident and their aged care provider. These vary from home to home. The aged care provider can give details of these services, such as hairdressing and Foxtel, and the fees that apply.

A-REITS: LISTED PROPERTY TRUSTS

By Tony Gilham

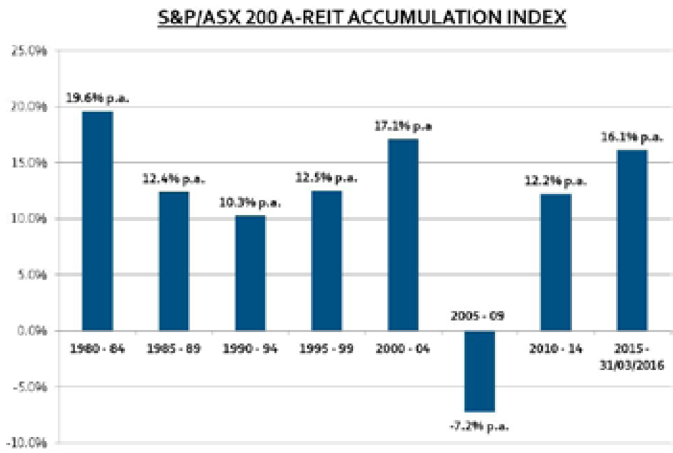
A-REITs (Australian Real Estate Investment Trusts) came on to the Australian sharemarket in 1960 with the listing of Westfield Trust, and over the last 55 years, the listed property trust sector in Australia and around the world has blossomed.

Most Australians, whenever they read or hear anything about property investment, they automatically think about residential property, but the non-residential sector, owning commercial office, retail, industrial, hotel and tourism properties as well as quite a few others, are a mainstay of the Australian investment landscape.

The current A-REIT index (S&P/ASX200 Property Accumulation Index) commenced from 1st January 1980, and the index is made up of 17 constituents (the largest and most actively traded A-REITS, which includes Westfield, Scentre Group, GPT, Stockland, Goodman Group, Dexus, Vicinity, Mirvac and others.

Prior to the GFC, the A-REIT sector in Australia performed with remarkable consistency, as shown in the graph below, which plots average 5-year returns from January 1980 through to March 2016. The average return since inception is 10.58% pa.

A-REIT Index - 5-year bands - 1/1/1980 to 31/3/2016



The only five year period that didn't achieve double digit returns was the period including the GFC, and although the average negative return over that five-year period seems mild at only -7.2% pa, it actually hides the fact that A-REITs were hammered between November 2007 and March 2009, and during that period of approximately 16 months, lost a massive 73.8%.

From January 1980 through to March 2016, a period of 36 years and 3 months, the average annual return for the A-REIT sector has been an impressive 10.85% pa, made up of an average income yield of around 6.0% pa, and average capital gains of around 4.8% pa.

A-REITs had a great run prior to the GFC, but they became excessively expensive, trading at a premium of 80% to NAV (Net Asset Value). This was crazy. Also at the time, interest rates on debt was much higher, A-REITs were aggressively buying property at inflated prices, and quite a few of our large A-REITs ventured offshore, and in many cases, with disastrous consequences.

Generally speaking, A-REITs do trade at a premium to NAV, and the long term average has been an 11% premium, which is justifiable. The current premium at the end of March 2016 was 14.3%, (excluding Westfield and Goodman Group, both of which have large international operations, and substantial earnings from funds management and development), and there are quite good reasons as to why the A-REIT sector should trade at a premium to NAV, including the following:

- Easy accessibility: you can own part of the best office building in Australia and the best shopping centre in Australia, for an outlay of only $1000 upwards.
- Liquidity: Unlike direct property, you can buy and sell virtually instantly.
- Transparency: You can physically see the properties owned by an A-REIT, and comprehensive annual reporting provides you with details of valuations, rental income, operating costs etc.
- Valuations are done in arrears: A-REITs have to value their properties on a rolling 3-year basis, so the current valuation on some existing properties could be nearly 3 years old, and it's quite clear that the direct property market continues to strengthen, so you are probably buying into assets that are highly likely to be revalued upwards, at the next valuation date.
- No on-costs: If you bought a commercial property for say $1 million, it's quite likely the on-costs for things such as stamp duty, legal and bank fees might be $70,000. But if you buy into an existing A-REIT, the only on-costs are the brokerage costs, which might be as little as $2000.

Our thoughts

After the GFC, many investors deserted the A-REIT sector, but over the last four or five years in particular, we have been actively increasing our exposure, and the vast majority of our clients have a healthy allocation to high quality A-REITs.

Most high quality A-REITs are paying income distributions between 5% and 6% pa (double what you get on a term deposit), rental incomes aren't going down, and there is still a fair expectation that commercial, industrial and retail property values will continue to rise at a modest rate in the years to come. It's hard to suggest that A-REITs will again generate double digit returns over the next 5 years, but it's fairly easy to make a case for returns between 6% and 9% pa, with much lower levels of volatility than the broader Australian sharemarket.

YOUR OWN BUSINESS: WHICH STRUCTURE IS RIGHT FOR YOU? (PART 3)

By Andrew Goldman

As we have noted in previous editions of Trade Secrets, there are four commonly used business structures

- Sole Trader
- Partnership
- Company
- Trust

In part three of a four part series, GFM Gruchy Accounting Partner Andrew Goldman looks at the third of these structures in more detail.

Company

A company can sue and be sued yet offers its owners (the shareholders) protection from personal liability by virtue of the fact it is a separate legal entity.

The establishment of a company can be complex however we have the in house expertise and systems in place which take care of this on your behalf.

A company will have at least one Director who is responsible for managing the business operations of the company and has reporting responsibilities which sole traders and partnerships do not have.

Advantages

- Limited liability for shareholders
- Well understood and accepted structure
- Can carry forward losses to offset against future profits
- Easy to sell and transfer ownership
- Profits can be reinvested in the company or paid to shareholders as a dividend
- Tax rate is lower than some personal marginal tax rates

Disadvantages

- Higher set-up and maintenance costs
- Annual reporting to Australian Securities and Investment Commission
- Cannot distribute losses to shareholders
- Does not always benefit from CGT concessions
- There is no tax-free threshold – every dollar of profit is taxed

If you require some assistance with the setting up of any of the business structures or would like to arrange a meeting to discuss your specific needs, please call GFM Gruchy Accounting on 8809 0700.

STAFF PROFILE: KUSHAL SHARMA

By Phil Gruchy

Kushal joined GFM Gruchy Accounting (previously P G Gruchy and Associates) in 2009 initially as a SMSF Administrator. Through a combination of client exposure and professional study Kushal has gained an excellent knowledge of superannuation and has now progressed to become a Certified Practicing Accountant

Kushal is responsible for the preparation of all documentation for self managed superannuation funds and producing and analyzing reports. He also assists clients with their compliance obligations, accounting and reporting with respect to their self managed superannuation funds.

Here's a quick Q and A with Kushal and some things you may not know about him.

Q1. How have you enjoyed the joining of the Accounting and Financial Advice Businesses and what do you see as the major benefit for the clients?

A. The coming together of the Financial Planning and

Accounting firms has been extremely beneficial. Clients of either firm now have the opportunity to utilise the services of the other to give them a complete one stop financial solution – saving them a lot of time.

Q2. Your family

A. I am married to Navjot and we are very excited to be expecting our first child in July. My brother Ankur lives nearby and our families enjoy catching up for a meal together.

My parents are retired and live in India. We are very fortunate to have them visit us each year and they will be joining us soon to welcome our first child.

Q3. Favourite food/drink?

A. Hot Chocolate and home-made lemonade are my favourite. I also enjoy sweet and salty yoghurt drinks which I prepare in summer. I love Indian vegetarian food.

Q4. Little known fact about yourself

A. I am an active member of an organisation in India which provides free personal development camps for youth since 2000. I have been a camp leader on two occasions for groups of up to150 students. It was an amazing experience.

Q5. What sports do you follow?

A. Being born in India, I have always followed the cricket. I love watching the T20 and any other tournaments especially between India and Pakistan and Australia and England (The Ashes)

Q6. What are your interests?

A. I love dancing, which I inherited from my parents - especially my mother. I have won many titles back in India and participated in a dance competition held in Melbourne last year after a gap of seven years.

BABY NEWS:
WELCOME TO BABY AIDEN

By Witi Suma

A big congratulations to Annie and Aaron on the safe arrival of their second child, a beautiful baby boy, Aiden. Amanda is absolutely delighted to have a little brother. Aiden was born on the 12th March 2016 weighing in at 6.1728 lbs. Aiden and all the family are doing great.

Many of you will know of Annie, she has been a part of the GFM team for 10 years. Annie works in the SMSF team as a Senior Administrator and we look forward to Annie returning from maternity leave in November.

"ALE PROPERTY TRUST UPDATE" QUARTERLY BUSINESS LUNCH

By Mai Davies

We held our first Quarterly Business Lunch on Thursday 3rd March 2016 at Riversdale Golf Club. Our special guest presenter was Andrew Wilkinson, Managing Director of listed property trust ALE Property Group. We were very fortunate to have Andrew present as it is not often you get the opportunity to hear from the Managing Director of a listed company.

Andrew's presentation covered:

- A review of the financial results for Financial Year 2015 and the first half of Financial Year 2016
- An outlook for the Group's prospects and opportunities
- The strong level of capital appreciation across the property portfolio
- Rent reviews in 2018 and 2028
- An overview of the operating results of the tenant
- The takeover offer rejected
- The substantial capital improvements made to the property portfolio.

This session was well attended by investors of ALE and they found Andrew's presentation extremely informative and interesting. They appreciated the opportunity to ask question and chat with Andrew afterwards.

SHANE OLIVER:
2016 AN INSIGHT INTO THE YEAR AHEAD QUARTERLY BUSINESS LUNCH

By Mai Davies

We held our second Quarterly Business Lunch for the year on Wednesday 16th March 2016 at Leonda by the Yarra. This was attended by 148 clients and guests.

Our special presenter was high profile economist Shane Oliver. Shane is the Head of Investment Strategy and the Chief Economist at AMP Capital. His role is to understand what current positioning means for the return potential of different asset classes such as shares, bonds, property and infrastructure. Shane is a regular media commentator on economic and investment market issues and engages regularly with investors at public events and forums.

With calendar year 2016 starting on an indifferent note for investment markets, Shane provided a thorough understanding of what is causing the current volatility.

Shane provided a market and economic update and his key topics included:

- Regional insights: The US, Europe, China and Australian Economies
- Where to from here? Interest rates and the Australian dollar?
- Oil price lows. Good bad or indifferent?

The feedback from the attendees was excellent. They thoroughly enjoyed the presentation and found it extremely informative.

ANNUAL GOLF DAY: MONDAY 2ND MAY 2016

By Mai Davies

We held our 14th Annual Golf Day at Riversdale Golf Club on Monday 2nd May 2016. We were all happy to have played on a dry and mostly sunny day after the extreme wet and windy weather conditions that caused the cancellation of our original date in March.

Having been blessed with perfect days every year until now, we have been super lucky.

It was great to have some new players join us this year. The course was in perfect condition and we had some terrific prizes on offer. Everyone had a fantastic day. The competition was Ambrose and the scores were very close this year. The winning score on the day was 58.2, followed by Runners Up scoring 58.75.

The photos from the day can be found on our website: gfmwealth.com.au/events/past-events/annual-golf-day-2016/

Congratulations to Aaron Hallifax, David Newnham, Ryan Lapish, Ron Yee, Rob Allen – The Winning Team!

The Runners Up with a score of 58.75 were Peter Ferguson, Daniel Ferguson, Bruce Williams, Andrew Schoenmaekers

ARE YOU AN INVESTOR OR A SPECULATOR?

By James Malliaros

You've probably never thought about it, and it's quite likely you've never asked the question of yourself as to whether you are an investor or a speculator.

The mere fact that you've got some money invested, then you've got to be one or the other, an investor or a speculator. But what's the difference?

Let's firstly consider the common traits of a speculator:

- Always looking to make a "quick kill"
- Usually has a short investment time horizon, maybe a couple of months or even a year
- Focuses on the price of the investment (or asset), expecting it to go up
- Decision usually based on the premise that the price will go up in the short term
- Not overly concerned about the "quality" of the investment, as long as the price goes up

Now let's look at some of the common traits of an investor:

- Places much more weight on the ability of the investment to generate a consistent income
- Investment time horizon is intended to be long term, expecting that a good quality investment could potentially be held forever
- Not speculating on the price of the investment going up, but concentrating on the consistency of the income generated, with an expectation that that income will increase with the passage of time. The capital appreciation of the asset is a by-product of the increased income generated by the investment
- The decision to invest is based very much on the income generated, an expectation that the income will grow at least in line with inflation, and the reliability of that income
- Focuses very much on the "quality" of the income, and the "quality" of the investment. Much happier to invest in "boring" investments that have a good, steady and reliable income stream