GFM Wealth Advisory | TRADE SECRETS

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SMSF Specialists | Investment Management | Financial Planning | Accounting

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REPORTING SEASON WRAP

By James Malliaros

During the months of August and September, the majority of Australian listed companies reveal their profit results for the previous financial year. Most also provide guidance as to how they expect their businesses to perform for the upcoming six to twelve months.

We took a very active interest in the results from the August reporting season as it gave us detailed information on how companies were performing and most importantly guidance on their future prospects.

Overall it was not a bad reporting season for August 2017, with most companies reporting earnings that were in line with or beating expectations. Almost 91% of full-year reporting companies reported a profit, above the 87% long-term average, but down from 94% in the recent standout February 2017 reporting season.

In addition, 91% of those full-year reporting companies elected to pay a dividend, a bonus for those investors relying on an income from their portfolio. Interestingly, of those reporting a dividend, 69% lifted the dividend, 14% left the dividend unchanged and 17% cut the dividend.

The strongest sector performers were:

- Mining & Energy companies which benefited from cost-cutting and favourable commodity prices
- Packaged foods sector which benefited from favourable consumer demand and prices
- Housing market dependent companies where there was a significant increase in both homes built and bought throughout the financial year
- Real Estate Investment Trusts where the best performers have been those responsive to changing times

The sectors to experience challenge times were:

- Consumer focused companies as a result of low inflation, cautious consumers and the presence of business disrupters such as Amazon.
- Banking sector, where poor sentiment from allegations of regulatory breaches renewed calls for greater scrutiny of banking practices and culture.
- Telecommunication services where many businesses face structural challenges as a result of new technology, business models, global competitors, and regulation.
- Media, particularly broadcasting and publishing

The key takeaways from the August reporting season were:

Resource upgrade cycle continues:

The Mining and Energy sectors were supported by favourable commodity prices and cost controls. The iron ore companies now have cash costs of around US$10-20 a tonne, whereas the spot iron ore price is near US$70 a tonne.

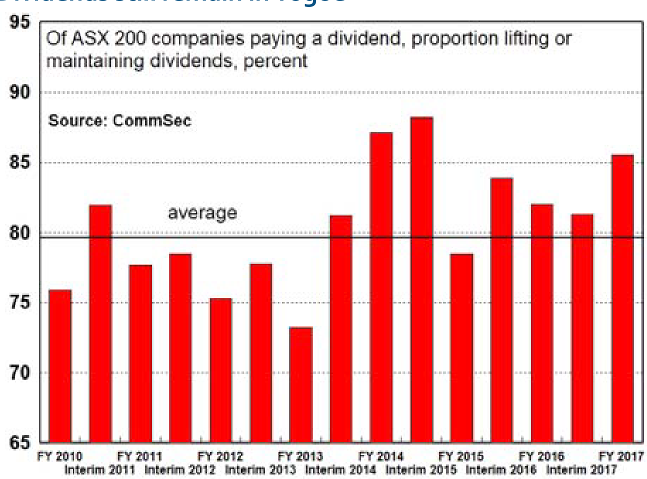
The bounce in commodity prices was always going to increase the earnings of most of the resource companies, which were up a massive 90% in FY 2017.

However caution is advised in this sector as Chinese policy remains crucial in how commodity prices play out in the future.

Retailers continue to express difficulties in dealing with a number of challenges:

Traditional 'bricks and mortar' retailers are under pressure and being forced to adjust. Population growth has helped revenues but competitive pressures, changing consumer behaviour and low wages growth continue to have a negative impact, particularly as they prepare for the entry of Amazon into the retail landscape.

Dividends still remain in vogue



Dividends continue to remain fundamental for investors, with the current dividend yield of the ASX 200 at 4.12%, well above the 1.5% cash rate.

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However, as has been apparent for the last few reporting periods, many companies are adjusting pay-out ratios and instead of paying a dividend at all costs they are investing more money back into the business to grow future earnings.

Capital discipline:

A number of companies also announced share buy-backs in order to support share prices and retain the support of investors. In addition many companies took the opportunity to write down assets and pay off debt given their solid balance sheets and increase in free cash flow.

Future guidance:

Amid global uncertainty, weak consumer sentiment and significant technological change many companies were reluctant to provide much in the way of future profit guidance.

Corporate Australia remains in strong shape:

A significant majority of companies reported a profit for the past year, most lifted profits, most paid a dividend, cash holdings are high and have risen over the year and companies have been successful in raising revenues and cutting costs.

Following on the recent reporting season, the broader economic landscape looks set for improvement. The slowdown in housing appears to be orderly and is not providing the headwind to economic growth that was feared, and we are seeing signs of a material pick up in capital expenditure for the first time in five years. Also, the pipeline of infrastructure projects have been ramped up as governments roll out a programme of road, rail and metro initiatives. Although they have a long-lead time, there are now signs that we are moving into a significant uplift in spending.

This should provide support for equity markets over the coming year, although we caution that financial markets may continue to be volatile given all of the geo-political uncertainty at the moment.

BILL & VALERIE MADDOCKS: CLIENTS OF GFM SINCE 1974

By Paul Nicol

Bill has kindly written the article below on their family, working life, retirement and the relationship they have had with our company since 1974. We greatly appreciate their contribution to Trade Secrets.

With Tony announcing his retirement it started me thinking about the length of time Valerie and I have been associated with GFM Wealth Advisory.

I can remember first meeting a young Tony Gilham in his office on St Kilda Rd. If my memory serves me correctly this would have been in 1974 – how time flies! Our eldest daughter Justine, now also a client of GFM, was quite young. As an existing client of Legal and General holding a Life Insurance policy, it was highly recommended we contact Tony Gilham.

I liked Tony's attitude immediately. One of the first impressions I had was his infectious laugh, coupled with his considered thought processes.

Valerie and I have experienced a change in careers over the years and through this journey our relationship with GFM has grown. I am a trained Quantity Surveyor and saw active service in Vietnam. The move to Melbourne in 1974 was coupled with a career change away from construction to become involved in Sales and Marketing with Handy Angle, then Corinthian Industries. I later moved into Sales Management at our local branch level with Corinthian. My next role was as Victorian State Sales Manager with Melcann Holdings - a national wholesale bagged cement distributor. My last corporate employment was with Dorf Industries as National Product Marketing Manager.

Then in 1986, I started a grounds maintenance business - Softelm Pty Limited with a client base that over the ensuing 27 years, grew to include Ministry of Housing, Melbourne Water, VicRoads, and various Municipal Councils, including Knox, Dandenong, Monash, Casey and Cardinia. In 2013, when the business was sold, Softelm had 14 employees and long term contracts with several councils at foot.

During this time Valerie continued in her various roles as a mother and P.A. In 1975 we celebrated the birth of our second daughter Rachel. Valerie started her own home décor business - Home Ideas, located in Boronia. Within 2 years however, the opportunity to work in shopping centre management presented itself which was too good an opportunity to let go. With her business sold, Valerie studied and qualified as a Certified Shopping Centre Manager and went on to manage centres such as Geelong Market Square, Ringwood Square, The Block Arcade and The Sportsgirl Centre in Melbourne CBD. Valerie completed her working career as Director of Retail Management at Knight Frank overviewing several shopping centres in Victoria. She took early retirement in 2000 and along with me, became involved in the administration of our family business until we both retired.

In 1999, Paul Nicol joined GFM and we were also impressed with him from our first meeting. We started having conversations about wealth creation for retirement. Paul was very open with his advice and recommended we set up our own SMSF. There has never been an occasion where we have disagreed with his advice as he always has our best interests at heart. Paul's advice has always exceeded our expectations and we do not set the bar low. We appreciate immensely his inclusive style.

Over the many years in dealing with the GFM team we have thoroughly appreciated their professionalism and client first approach. We also enjoy the social aspect of our relationship with GFM, attending golf days, movie nights and their seminars.

Valerie and I are also impressed with the seamless way Tony has passed over the reins of business having overseen the recent move to their new offices. It has been an honour and a privilege to have been associated with Tony, and Valerie and I wish him well in his retirement.

OUTLOOK FOR THE SELF-MANAGED SUPERANNUATION FUND (SMSF) SECTOR

By Witi Suma

In our last issue of Trade Secrets entitled "Self Managed Super – Australia's Most Dynamic Superannuation Sector" we provided an insight into what drives SMSF members' decision making behaviour.

In this article we provide an overview of the current state of the SMSF sector in general, and look at the challenges that lie ahead.

Growth in the sector:

According to the ATO, as at the end of March 2017, the sector has grown to almost 600,000 Funds with over 1.1 million members and approximately $675 billion in assets – this makes up nearly a third of all superannuation assets in Australia, and represents a doubling of the number of SMSF members and a tripling of assets since June 2006. Whilst growth has been very positive over the last decade, in recent times the growth has been more modest, largely attributable to legislative uncertainty.

Sector demographics:

A positive note for the sector is the increase in new SMSFs with younger members. Over the last six years there has been a significant upswing in the number of funds set up by people aged between 35 and 44. This represents a shift from people using SMSFs as a savings vehicle to prepare for retirement, to one which people view as their chosen vehicle for building wealth.

Asset allocation:

The level of SMSF assets has seen strong growth since the Global Financial Crisis, reaching nearly $675 billion in March this year as mentioned above. Asset allocation has remained steady with a large portion of assets invested in listed shares and cash/fixed interest, with the main drivers being the increased after-tax return from domestic shares arising from the full refundability of franking credits, a desire for liquidity in retirement (especially relevant for the SMSF sector in which nearly 50% of funds are in retirement phase according to the ATO), and the tendency for trustees to steer towards assets they're familiar with, e.g. blue-chip shares.

Property investment and borrowing:

One particular aspect of SMSF asset allocation that draws a great deal of attention in the media is the investment in direct property – especially residential property funded via "limited recourse borrowing arrangements" (LRBAs). The use of LRBAs continues to draw criticism as it is perceived to contribute to a potential Australian housing bubble. However, this criticism seems unwarranted given that SMSFs hold less than $30 billion of the country's $6 trillion total assets in residential property – less than 1% of the entire housing market.

Challenges that lie ahead for the sector:

<u>**Added complexity arising from the recent super changes:**</u>

The changes that took effect from July 2017 have been the most significant in 10 years. They present two key challenges for the sector going forward:

1. An increase in complexity of superannuation laws, particularly for those members with higher balances given the imposition of a $1.6 million "Transfer Balance Cap" (TBC) which limits the amount a member can hold in tax-free retirement phase. It is the most complex of the new super laws as it is based on a system of debits and credits, which, although appearing simple in concept, will no doubt prove to be onerous and impractical to manage and report.

   To add to the complexity of this new TBC system, in order to comply, the ATO will soon be imposing a requirement for "real-time reporting" whereby SMSFs must notify the ATO within a specific timeframe of any events that give rise to changes in a member's TBC.
2. The reduced annual contribution caps clearly restrict the level of inflows to the sector going forward. The lower caps result in a reduced ability to make "top-up" contributions to super later in life, hence the need for members to plan earlier to have a greater chance of meeting their retirement income target.

All of the recent super changes including those mentioned above have increased the need for professional advice and assistance with compliance in this area.

<u>**Ageing population:**</u>

Although the number of funds with younger members has pleasingly increased over the last six years as mentioned earlier, SMSF members are still an ageing demographic, with just over half of SMSF members aged between 55 and 75 as at June 2016. This poses a number of challenges with a very high percentage of members in retirement phase drawing down on their super, necessitating an increased level of financial advice around the management of their retirement income for this particular demographic.

The sector has a significant number of members who are either commencing retirement or will be retiring in the next 20 years. With our longevity set to increase, cases of cognitive decline and dementia will become increasingly prevalent among older SMSF members.

One of the key challenges that arise from ageing is the loss of capacity to be an SMSF trustee – once a trustee loses capacity, the SMSF becomes non-compliant unless certain steps are taken, one of which is to ensure an Enduring Power of Attorney (EPOA) is put in place, well before loss of capacity is likely to occur, whereby the Attorney can step into the role of managing the SMSF. In our October 2016 Trade Secrets newsletter, we stressed the importance of all SMSF members having an EPOA in place to prepare themselves for the possibility of diminished decision-making abilities later in life.

Quality advice to SMSF trustees – now more critical than ever:

The provision of financial advice is a key component of a well-running SMSF sector, and ensuring that SMSF trustees receive high quality advice is an essential part of GFM's service offering.

All of our advisers and two other senior staff hold the SMSF Association's designation of ***SMSF Specialist Advisor (SSA™)*** which is a highly regarded benchmark in our industry, demonstrating a high level of expertise and knowledge in the SMSF area. On an ongoing basis, we are required to continue meeting our professional and education requirements, so as an SMSF trustee and client of GFM, you can rest assured that the advice you are receiving from our advisers is always of the highest standard.

CASE STUDY: THE $1.6 MILLION TRANSFER BALANCE CAP – DO I LEAVE THE EXCESS FUNDS IN SUPERANNUATION OR NOT?

By Nicola Beswick

Prior to 1 July 2017, an individual could have an unlimited amount of money invested in superannuation and if running a pension, pay no tax on any income or realised capital gains.

This created an attractive investment vehicle, especially when comparing the taxation rates in other entities, such as an individual's personal taxation rate or company taxation rates.

With legislative changes from 1 July 2017, this ceased for individuals who held more than $1.6 million in superannuation and are running Account Based Pensions (ABPs). Individuals are now restricted to having ABPs of up to $1.6 million. Any member balances that exist over this amount, as at 1 July 2017, can remain in superannuation, but are required to be moved back into the accumulation phase. Alternately, the funds can be withdrawn from superannuation and invested elsewhere.

Choices therefore have to be made with what to do with these 'excess' funds – leave the excess funds in the superannuation accumulation phase or withdraw the funds from superannuation and invest in your personal name?

To recap, the taxation rates of these respective entities are outlined below:

Owner:	Income Tax	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:	47%	47%	23.5%
Super Fund in accumulation phase	15%	15%	10%
Super Fund in Pension phase (Capped at $1.6m)	Nil	Nil	Nil

The different personal taxation rates (for an Australian resident), and excluding Medicare levy of 2%, are outlined below:

Taxable income	Tax rate
$0 - $18,200	Nil
$18,201 - $37,000	Nil + 19% for each $1 over $18,200
$37,001 - $87,000	$3,572 + 32.5% for each dollar over $37,000
$87,001 - $180,000	$19,822 + 37% for each dollar over $87,000
$180,001 +	$54,232 + 45% for each $1 over $180,000

In addition to the above rates, people over the age of 65 are eligible for the Senior Australians and Pensioners Tax Offset (SAPTO). This offset, in conjunction with the $18,200 tax-free threshold, and the low income tax offset (LITO), means an eligible couple can receive income of up to $57,948 combined (2017/18 Financial Year) without paying any income tax. A single can earn up to $32,279 in the 2017/18 Financial Year, without paying any income tax.

In today's benign interest rate environment, the concept of holding excess funds personally, and not paying any income tax (compared to the 15% tax rate within the superannuation accumulation phase) on face value appears attractive.

However, before taking funds above $1.6 million out of superannuation into what appears to be a nil tax environment, a few things need to be considered. Let's explore these in the case study below:

Case Study:

As at 1 July 2017, Peter (68) has an ABP of $2.6 million and his wife Jo (65) has an ABP of $1.7 million. They both exceed the $1.6 million transfer balance cap, by $1 million and $100,000 respectively. While they plan to retain ABP's of $1.6 million each, they are considering their options for the funds in excess of the $1.6 million figure.

The two options they are considering are;

1) Retaining the excess above $1.6 million in superannuation, but in the accumulation phase; or

2) Withdrawing the excess out of superannuation and holding the funds in their personal name.

Example 1: Tax Implications:

Assuming the $1.1 million excess generates a 5% yield, if they hold no other assets in their personal name, a summary of the tax payable under both scenarios is outlined below:

Scenario:	Retain Excess in Super	Withdraw Excess from Super	
Taxation Entities	Super	Peter	Jo
Assessable Taxable income from Funds	$55,000	$27,500	$27,500
Tax on Income	$8,250	$1,767	$1,767
Less: LITO	N/A	$445	$445
Less: SAPTO	N/A	$1,602	$1,602
Net Tax Payable	$8,250	$0	$0
Plus: Medicare Levy	N/A	$550	$550
Combined Tax Payable	**$8,250**	**$1,100**	

From the above comparison, Peter and Jo are better off on an Income Tax perspective withdrawing the excess fund out of superannuation and investing in their personal name.

What if there are other sources of income?

The example above is very simple. What if we take into consideration any additional assessable taxable income that may already exist? These are explored in the examples below.

Example 2: Increase in accumulated personal assets:

Peter and Jo are required to take a minimum of 5% from their respective ABP's. As their ABP's are now valued at $1.6 million as at the 1 July 2017, their minimum pension payment decreases to $80,000 p.a., or $160,000 p.a. combined. If their living expenses are $100,000 p.a. their savings capacity is $60,000 p.a., or $300,000 over five years.

Assuming these excess funds also generate a 5% p.a. yield, or $15,000 p.a. ($7,500 per person), this $300,000 creates an additional amount of taxable income, compared to the previous scenario.

This is highlighted below:

Scenario:	Retain Excess in Super			Withdraw Excess from Super	
Taxation Entities	Super	Peter	Jo	Peter	Jo
Assessable Taxable income from Funds	$55,000	$0	$0	$27,500	$27,500
Income from other investments	N/A	$7,500	$7,500	$7,500	$7,500
Total Taxable Income	$8,250	$7,500	$7,500	$35,000	$35,000
Tax on Income	N/A	$0	$0	$3,192	$3,192
Less: LITO	N/A	$445	$445	$445	$445
Less: SAPTO	N/A	$1,602	$1,602	$753	$753
Net Tax Payable	$8,250	$0	$0	$1,994	$1,994
Plus: Medicare Levy	N/A	$150	$150	$700	$700
Combined Tax Payable	**$8,550**			**$3,988**	

As noted, the total amount of taxable income under the scenario where the excess funds are withdrawn from superannuation and invested personally, is still less ($3,988) than the combined tax paid when the excess funds are retained in superannuation ($8,550). However, this gap will close quickly as the years of savings accumulate.

Example 3: Additional Assets:

What are the implications if further additional income is generated from other sources, e.g. personally held assets or employment income?

Let's assume Peter and Jo have a jointly held share portfolio, a cash in the bank and an investment property. These non-super investments produce $32,500 per year from dividends, interest and rent.

Suddenly, their combined tax payable amount goes from $1,100 as highlighted in the first example, to $13,079. This is more than the amount of tax paid if the excess funds were retained in superannuation.

Scenario:	Retain Excess in Super			Withdraw Excess from Super	
Taxation Entities	Super	Peter	Jo	Peter	Jo
Assessable Taxable income from Funds	$55,000	$0	$0	$27,500	$27,500
Income from other investments	N/A	$16,250	$16,250	$16,250	$16,250
Total Taxable Income	$8,250	$16,250	$16,250	$43,750	$43,750
Tax on Income	N/A	$0	$0	$5,766	$5,766
Less: LITO	N/A	$445	$445	$101	$101
Less: SAPTO	N/A	$1,602	$1,602	$0	$0
Net Tax Payable	$8,250	$0	$0	$5,665	$5,665
Plus: Medicare Levy	N/A	$325	$325	$875	$875
Combined Tax Payable	**$8,900**			**$13,079**	

Example 4: Capital Gains

While investing funds in an individual's personal name, the tax savings from an income tax perspective may be worthwhile, this can be undone upon the sale of a well performed asset.

If an asset had the good fortune of providing large capital growth, upon sale, 50% of the gain (if held for more than 12 months, for 100% of the gain if the shares were held for less than 12 months), would be added to a person's assessable income and taxed at their MTR. This compares to gains crystallized within the superannuation accumulation phase, were the taxation rate is a flat 10% if held for more than 12 months, or 15% if held for less than 12 months.

For example, CSL shares have performed well over the short term. Approximately three years ago, CSL shares were trading at $55, and now they are trading around $133 per share. Assuming 2,000 where purchased for $55, and are now intended to be sold at $133, the capital gains implications are summarised below:

CSL Limited (CSL)	
Purchase Price	$55
Number of Shares	2000
Cost Base	$110,000
Current Share Price	$133
Capital Gain	$266,000

For the purposes of this example, we've assumed the shares are either held personally (jointly) or in superannuation. Of Peter and Jo's total superannuation balance, $1,100,000, or 26%, is in the accumulation phase. Therefore, only 26% of the long term gain is taxed at 10%.

The result shows the assessable capital gains, when added to Peter and Jo's assessable taxable income, creates a total taxable amount that is higher than if a proportionate amount of the gain was taxed in the superannuation accumulation phase.

The tax implications are summarised below:

	Retain Excess in Super	Withdraw Excess from Super	
	Super	Peter	Jo
Assessable Taxable Income from Assets	$55,000	$27,500	$27,500
Assessable Capital Gain	$40,560	$39,000	$39,000
Total Taxable Income	N/A	$66,500	$66,500
Net Tax Payable	N/A	$13,160	$13,160
Plus: Medicare Levy	N/A	$1,330	$1,330
Tax Payable on Income	$8,250	N/A	N/A
Tax Payable on Gain	$4,056	N/A	N/A
Total Tax Payable	**$12,306**	**$28,979**	

In this instance, retaining the excess funds in superannuation provides a far more tax effective outcome.

Other points to note:

While the above examples focus on the tax paid by an individual compared to within superannuation, a number of other concepts also need to also be considered.

Holding excess funds in the accumulation phase of superannuation, rather than investing personally, may also assist in obtaining or preserving eligibility for other benefits. For the purposes of qualifying for the Commonwealth Seniors

Health Care Card, superannuation accumulation phase balances are not assessed under the income test.

Estate planning implications also need to be addressed. This area is a mine field of complications, which also need to be considered prior to withdrawing excess funds from superannuation. We will address this area specifically in our next Trade Secrets addition.

Conclusion

There are a number of aspects that need to been considered before taking any money, especially funds in excess of $1.6 million, out of superannuation. There is no cut and dry answer as to whether leaving excess funds in superannuation, or withdrawing the funds out of superannuation, provides the best result.

All considerations around the implications of both scenarios, needs to be fully considered on an individual level, prior to any action being undertaken.

UPCOMING SEMINAR: WEDNESDAY 15/11/17 AT 7.15 PM MARKET UPDATE & OUTLOOK FOR 2018

By Mai Davies

Our last evening seminar for the year will be held on Wednesday 15th November 2017 at 7.15 pm at Riversdale Golf Club.

Our special guest presenter on the night is James Holt, who is the Senior Investment Specialist for Equities at Perpetual Investments.

In his presentation, James will give an overview of the global economic backdrop, and how this is likely to affect investment markets over the next few years, exploring the following topics:

- The global economy, the current environment abroad and at home
- Trumponomics: What is right and wrong with the US economy, James will explore hype vs reality
- Future risks and opportunities across the globe including Europe and China.
- Where is value being found and what is looking expensive

Following the seminar, we invite you to join us for drinks and canapés.

If you would like to attend and have not yet reserved your place, please call Mai on 9809 1221

MAXIMISING SUPER CONTRIBUTIONS FOR LOW INCOME EARNERS

By Rebecca Lowe

For those on lower incomes with little surplus cash flow, it can be difficult to grow their superannuation savings for retirement. This is why the Government has some incentives in place to make contributing to super more attractive for low income earners, as outlined below.

Spouse Co-Contribution

A spouse co-contribution is where one member of a couple makes a contribution into superannuation on behalf of their spouse, to be eligible for the spouse co-contribution tax offset.

Up until 30 June 2017, the receiving spouse must have had an assessable income less than $13,800 p.a. for the contributing spouse to be eligible for the offset, however with effect from 1 July 2017, this threshold has increased to less than $40,000 p.a. to be eligible for the offset.

The maximum spouse co-contribution offset is $540, based on a contribution of $3,000 for a spouse with assessable income of $37,000 or less, with the offset gradually reducing until it phases out completely once a spouse's assessable income reaches $40,000.

For the contributing spouse to be eligible for the tax offset, the receiving spouse must also:

- Be an Australian resident
- Be under age 65 when the contribution is made, or meet the work test definition if aged between 65-69
- Have a total superannuation balance less than $1.6 million

Government Co-Contribution

If you make a personal non-concessional contribution into superannuation, the Government will match up to 50% of your contribution, to a maximum of $500.

To be eligible for the contribution you must meet the following criteria:

- If you are an employee, your assessable income for the current Financial Year must be less than $51,813 (including assessable income, fringe benefits and reportable super contributions)
- If you are self-employed, at least 10% of your assessable income for the financial year must be from employment related activities
- Be an Australian resident
- Be under age 65 when the contribution is made, or meet the work test definition if aged between 65-74
- Have a total superannuation balance less than $1.6 million

If you are eligible for the co-contribution you don't need to apply. After lodging your personal income tax return, the contribution will be paid to your superannuation fund automatically.

If you require assistance in making these contributions, or wish to better understand your eligibility, please do not hesitate to contact your adviser.

REISSUE OF PENSIONER CONCESSION CARDS

By Bree Hallett

A recent Government decision is restoring the Pensioner Concession Card (PCC) to people who stopped being eligible for Centrelink payments due to significant changes to the Assets Test which were implemented on 1 January 2017. This card is being sent automatically from 9 October to those who are eligible.

Centrelink pensioners who lost payment eligibility on 1 January 2017 were given:

- a non-income tested Low Income Health Care Card (LIC), and
- if they were over pension age, a non-income tested Commonwealth Seniors Health Card (CSHC).

This PCC is not income or asset tested and will replace the LIC which was issued on 1 January. The new card which is being issued from 9 October onwards will be able to be used in the same way as before the pension was cancelled. The LIC will be deactivated. A new PCC will automatically be sent every two years. The CSHC will remain activated in order to maintain the Commonwealth benefits including the Energy Supplement.

If you were not impacted by these changes which were implemented on 1 January 2017 the type of concession or health care card you can get depends on your situation.

Commonwealth Seniors Health Card

You can get a CSHC if you:

- are not eligible for a payment from Centrelink but have reached your age pension age
- meet the income test:
  - Single: less than $52,796 p.a.
  - Couple (combined): less than $84,472 p.a.
- are an Australian resident or you hold a special category visa

This card is valid for 1 year and you will be sent a new card each year in August, if you remain eligible.

Low Income Health Care Card

You can get a LIC if you:

- are aged 16 or older
- live in Australia
- are an Australian citizen

You must also meet an income test:

- Single: less than $543 per week
- Couple (combined): less than $939 per week

This card is valid for 1 year and you must renew your card each year.

Pensioner Concession Card

You can get a PCC if you receive one of the following payments:

- Age Pension
- Bereavement Allowance
- Carer Payment
- Disability Support Pension
- Newstart Allowance or Youth Allowance. - you must be single and caring for a dependent child while you're looking for work
- Parenting Payment single

You are also eligible if you're 60 years of age or older and for more than 9 months have been receiving:

- Newstart Allowance
- Parenting Payment partnered
- Partner Allowance
- Sickness Allowance
- Widow Allowance

You must meet the age rules for the payment you are getting. The card is valid for 2 years and you will be sent a new card every 2 years on your birthday, if you remain eligible.

A summary of the various entitlements provided by each card is provided below.

Concession Card Entitlement Summary – Victoria March 2017

	Pensioner Concession Card (PCC)	Low Income Health Care Card (HCC)	Commonwealth Seniors Health Card (CSHC)
Eligibility	Receipt of a Centrelink payment (e.g. Age Pension). Income & Assets Tested	Over age 16. Income Tested	Age Pension Age. Income Tested
Pharmaceuticals Benefits Scheme	Cardholder & dependants	Cardholder & dependants	Cardholder only
Winter energy concession	17.5% discount off mains gas usage during 1 May - 31 October each year after first $62.40 p.a.	17.5% discount off mains gas usage during 1 May - 31 October each year after first $62.40 p.a.	
Annual electricity concession	17.5% discount off mains electricity account after first $171.60 p.a.	17.5% discount off mains electricity account after first $171.60 p.a.	
Water & Sewage concession	50% reduction. Maximum $305.50, or $152.75 for a single service	50% reduction. Maximum $305.50, or $152.75 for a single service	
Ambulance	Free in emergency or on the recommendation of an appropriate health professional	Free in emergency or on the recommendation of an appropriate health professional	
Motor Vehicle Registration	50% reduction - cardholder or spouse. One concession per card	50% reduction - cardholder or spouse. One concession per card	
Stamp Duty Concessions	Full exemption for Real Estate to $330,000. Partial exemptions to $750,000	Full exemption for Real Estate to $330,000. Partial exemptions to $750,000	Full exemption for Real Estate to $330,000. Partial exemptions to $750,000

QUARTERLY BUSINESS LUNCH: MONDAY 4/9/17 MEET THE MANAGER – MAGELLAN GLOBAL FUND

By Mai Davies

We held our last Quarterly Business Lunch on Monday 4th September 2017 at Riversdale Golf Club. Our special guest presenter was Stefan Marcionetti who is the Assistant Portfolio Manager to lead portfolio manager Hamish Douglass.

This function was well attended by investors in the Magellan Global Fund. The Magellan Global Fund invests in a concentrated group of some of the biggest companies in the world. At present, the top 10 holdings of the Fund are dominated by technology stocks including Apple, Alphabet (Google), Facebook, Microsoft, Oracle and eBay. Much of the presentation focussed on the pace of technological change in the past 10 years and the rising concern of disruptive technology and what it all means for constructing a high quality share portfolio.

We were very fortunate to have Stefan present, looking "under the bonnet" of Magellan's investment process and stock positions. The attendees found the presentation of great interest and extremely worthwhile.

IT KEEPS GETTING WORSE FOR THE BANKS...

By Paul Nicol

It has been a challenging period for Australian banks over the last couple of years. They have found themselves on the front page of the press for all the wrong reasons with allegations of regulatory breaches, renewed calls for greater scrutiny of banking practices and questionable culture all being highlighted. The sentiment hit to banks is clear, and perhaps could get worse over the next few years. We cannot help but feel there are further skeletons in the closet.

CBA are having a shocking time. After a prolonged period of being Australia's "cleanskin" bank, they have without doubt been the most publicised bank of recent times.

Recent allegations that the CBA has potentially aided money launderers is staggering. CBA has long self-appointed itself as the technology leader amongst the big four banks, but in its initial response to action taken by AUSTRAC, CBA has tried to point the finger at computer glitches. This does seem to be a very convenient excuse, especially when it has come to light that for a prolonged period CBA tellers and staff were reporting irregularities, the Federal Police were notifying the bank of irregular transactions and AUSTRAC itself was reporting issues. What was going on with the CBA Audit division? What were the leaders of CBA doing? What was the board of CBA doing?

One cannot help but think of a bygone era where tellers had a strong understanding of their customer any irregular transactions would have been picked up in a heartbeat. However, these days should you venture into a bank you are no longer greeted by a teller or branch manager, you now get sales staff. In effect, banks have transitioned away from a model which had worked for decades all with the aim of cutting costs and creating so called "efficiencies".

Very big changes to the personnel of banks have occurred over the last 5-10 years. These days, banks are big on using management consultants, many of whom are completely removed from the customer. The current Managing Director of the CBA has no banking or financial services experience. In fact the CBA board consists of only one banker.

New chairperson Catherine Livingstone (another board member with no banking experience) is facing a real problem at CBA. The talk is getting stronger that a Royal Commission into Australia's banking system is inevitable. This would likely create a feeding frenzy for the media, something the banks definitely do not want.

Unfortunately, the issues at the CBA have not been limited to the money laundering debacle. Commonwealth Financial Planning has compensated thousands of clients for negligent advice. CommInsure were accused of using unscrupulous practices to deny or avoid paying insurance claims, and CBA over charged 216,000 clients $80m which was also blamed on a computer glitch.

This is not an attack on CBA specifically. We suspect that all the big four banks have skeletons in the closet, it's just CBA that have been exposed so far.

On a more positive note it seems the banks have worked out that they cannot be all things to all people. Banks have now shrunk their product range by offloading (or looking to exit) wealth management, financial planning and insurance, seemingly now focused on home loans, basic deposit products and credit cards.

Perhaps the banks are working out what we already know. Understanding the client and treating them like a real human is a great start. But at GFM our aim is to develop long term sustainable relationships based on trust and mutual respect whilst sticking to what we know. We do not plan on changing because we know it works.