

# Update

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from the offices of **Cameron Darnley, Gray Foreman & Robert Latimer**

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## The Clearer Air of 2010

*"The last 15 months were discombobulating\* to say the least, but this year and beyond are looking a lot better"*

To quote the social & economic forecaster Phil Ruthven, the GFC of late 2008 and 2009 came close to a Depression.

He goes on to say ... "but the actions of leading economies to collectively provide some \$US 9 trillion (3% of the world's financial assets of \$US 310 trillion) to prop up banks, merchant banks, insurance companies (eg AIG) and some icons (eg General Motors) saved the day.

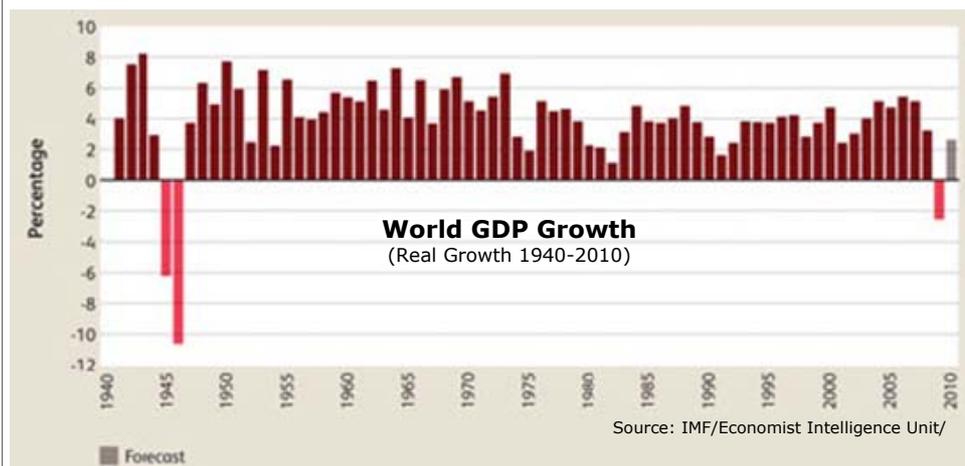
Australia needed no such action, although the federal government panicked and pump-primed households with \$17 billion of cash in two tranches in 2008-09. This was odd given that households were already better off by \$60 billion in that year as a result of lower mortgage interest rates (\$52 billion impact) and lower petrol prices. They had money to burn; but were scared by doomsday media and clearly nervous political leaders.

Perhaps all that was really needed was to tell Australians that we were the most bullet-proof economy in the OECD; we had negligible government debt, high and ongoing investment, our high house prices were protected by a chronic shortage of dwellings due to the fastest growing population in the developed world, and we could choose not to have a recession.

As it turns out, we didn't, the only OECD member to do so. But, in a way, we don't know we're alive these days, as the old saying goes. The world recession of 2009 pales into insignificance as the chart below shows. The massive GDP falls of 1945 (-6.2%) and 1946 (-10.6%) are stark compared with last year's estimated -2.6%."

Source: Phil Ruthven, IbisWorld

\* You'll have to look this word up for yourself.



## Work Bonus

Under recent Centrelink changes, pensioners over age pension age are rewarded for staying at work.

It's called the "Work Bonus", where half of the first \$500 of fortnightly employment income is disregarded from the income test. This means the maximum that can be disregarded is \$250/f. Which is in addition to the normal allowable income free area.

Once the employment income has received the 50% discount, it is added to the rest of the income and the normal allowable income threshold applies. Any employment earnings over \$500 gross a fortnight and any other income will be counted as usual.



## LOW INCOME HEALTH CARE CARD

Many early retirees have discovered that they qualify for the **Low Income Health Care Card**, even though they have considerable assets and are not yet old enough for a pension. The result can mean big savings because the card entitles you to:

- ▲ cheaper medicines under the Pharmaceutical Benefits Scheme (PBS)
- ▲ concessions offered by private Companies, State and Territory Government and local council concessions, for example:
  - energy and electricity bills.
  - health care costs such as dental, ambulance and eye care.
  - public transport costs, water rates.

As the name suggests, you need to have a low income to qualify, which for **Singles** is \$452/w and for **Couples** is \$753/w.

If you'd like to know more, simply call the office, or jump on the Centrelink website.

[www.centrelink.gov.au](http://www.centrelink.gov.au)

## Welcome Chris

After recently completing a Bachelor of Business, **Chris Foster** joined the Hillross Burwood East team in December.

In just three months Chris has proven himself to be a great asset to the business; a quick learner with a keen focus on delivering excellent client service.



**Welcome aboard Chris!**

## Teacher ...

**Teacher:** Why are you late?  
**Student:** Because of the sign.  
**Teacher:** What sign?  
**Student:** The one that says, "School ahead, Go Slow."  
**Teacher:** Student, Why are you doing your math sums on the floor?  
**Student:** You told me to do it without using tables!  
**Teacher:** Student, name one important thing we have today that we didn't have ten years ago.  
**Student:** Me.  
**Teacher:** What a pair of strange socks you are wearing. One is green and one is blue with red spots!  
**Student:** Yes it's really strange. I've got another pair just like that at home.  
**Teacher:** Student, your composition on "My Dog" is exactly the same as your brother's. Did you copy his?  
**Student:** No teacher, it's the same dog.  
**Teacher:** What do you call a person who keeps on talking when people are no longer interested?  
**Student:** A teacher.

## What's old?

Age Pensions are moving to age 67, we're being encouraged to stay at work longer and nursing homes are set to get even busier. There's no question, we're living

longer than ever before. Just take a look at history.

- ▲ In the year **1800**, you were lucky to make it past 40.
- ▲ in **1900**, the average was 53.
- ▲ in **2000** life expectancy was around 80.
- ▲ in **2100** it's anyone's guess, but some predictions put it close to 90.

Little wonder more people are running out of money in retirement.



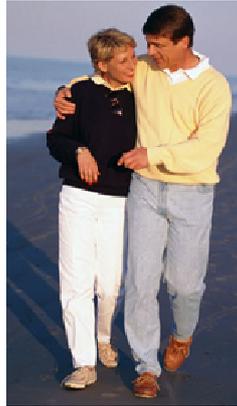
## LIFE STAGE REVIEW "Baby Boomer"

**H**ome paid off, kids becoming independent and income is finally starting to exceed expenses – it's a time of building wealth and preparing for retirement.

### Objectives

Like most over 50s, Graham & Jill are seeking to:

- ▲ Further build their superannuation nest-egg.
- ▲ Reduce income tax.
- ▲ Protect each other and the family through suitably worded wills and powers of attorney.
- ▲ Enjoy life NOW, through travel and new lifestyle choices.
- ▲ Maintain an appropriate level of insurance in the areas of life, disability, income, health & property.



### Planning

After considering Graham and Jill's objectives, some ideas for consideration are as follows:

- ▲ Being over age 55 Graham & Jill can adopt a "**Transition to Retirement**" strategy whereby a tax effective pension income is drawn from super while at the same time contributions are made back into super via salary sacrifice. It's kind of a revolving money-door with the key benefits being lower tax, more super, and no reduction to your net income.
- ▲ Manage the **household budget** and cashflow by establishing an automatic monthly transfer to a high interest bank a/c.
- ▲ Consider the inclusion of a **testamentary trust** within the wills to protect the interests of children and future grandchildren.
- ▲ Establish enduring and medical **powers of attorney** while at the same time review the current super Beneficiary Nomination elections.
- ▲ Review the many sources of personal & property risk and insure accordingly.

No matter what "Life Stage" you are going through, call the office now if you think it's time for a review.

## Multi-function baby buggy



**T**here's no truth to the rumour that Gray has combined child minding with grocery shopping to take multi-tasking where others have feared to tread.

But what's this bloke to do? He was given a long list of things to buy, he can only push one trolley at a time and little baby Eponnee seemed keen to help. Don't view it as "child abuse" ... see it more like "family bonding".

## THANK YOU

A heart-felt thanks was received recently from North Ringwood Care as a result of the many toys and presents collected from clients of Hillross Burwood East & Ivanhoe.



It took four big garbage bags to transport the presents and they were received with much joy and appreciation by the many clients of the food and referral agency.

To quote the co-ordinator of North Ringwood Care, Derek Sweatman ... "Thank you to everyone at Hillross for your generosity!"



**D**on't forget, as the end of the tax year draws nigh it's time to check whether you, your partner, children, or grandchildren might qualify for the **Superannuation Co-contribution**. It's essentially money the Federal Government gives away to match personal contributions up to \$1,000. Of course there are a few qualifications, such as earning some salary, lodging a tax return and being under age 71 to name a few, but for many it's a no-risk strategy to doubling their money and well worth investigating.

**Y**ou gain strength, courage and confidence by every experience in which you really stop to look fear in the face. You must do the thing which you think you cannot do.

**ELEANOR ROOSEVELT**