

# PAYSAFE

## ADVISORY SERVICES

### *Paysafe Advisory Services*

#### *Newsletter Winter/Spring 2009*

##### *In this newsletter*

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Superannuation Update

Reminder of the new contribution limits – what is your current level of contributions?

Binding Nomination – what happens to your super in the event of your death?

Frozen Funds Update

Wishing all our clients  
a Merry Christmas  
and a safe and  
Happy New Year.



### *Seniors Supplement*

Individuals who qualify for the Commonwealth Seniors Health Card currently receive a seniors concession allowance and telephone allowance. From September 2009, this was replaced by the Seniors Supplement, paid quarterly. Also, the single rate of the Seniors Supplement will be increased by approximately \$129 per year.

### *Increase in the income test taper rate*

From 20 September 2009, the increase test taper rate will increase from a 40 cent reduction for each dollar exceeding the income free area to a 50 cent reduction. The end result is a reduction in the upper income test threshold point at which pensions cease to be payable.

## *CENTRELINK CONCESSION CARDS*

### *Commonwealth Seniors Health Card*

You may be eligible if you have reached Age Pension age and do not qualify for a pension from Centrelink.

### *Health Care Card*

You may be eligible if you are under age pension age and receive certain payments from Centrelink, such as carer allowance, family tax benefit part A, parenting payment or widow allowance.

### *Pensioner Concession Card*

You will be eligible if you receive any of these payments: Age pension, Bereavement Allowance, Carer Payment, Disability Support Pension or Parenting payment (single).

### *CENTRELINK UPDATE*

The 2009 Federal Budget included changes to Centrelink and these changes are now law. The Government has labelled these changes the Secure and Sustainable Pension Reform Package and a summary of the changes appear below.

ESSSuper pension recipients should check their letter from ESS regarding the level of deductible amount associated with the ESS pension. This may allow some members to access the Centrelink age pension.

### *Increase to single person's Age Pension*

The increase of \$60 per fortnight is in addition to the regular indexation of pensions due September 2009.

### *Pension Supplement Allowance*

As of September 2009 the GST supplement, pharmaceutical allowance, utilities allowance and telephone allowance were combined into a new pension supplement. These benefits were worth approximately \$50.77. The new pension supplement will include this amount plus an increase of \$5.00 per fortnight for a single pensioner, and \$20.30 per fortnight combined for a couple. The pension supplement is subject to the usual means testing. The minimum amount of the new supplement is estimated to be \$30.20 per fortnight for a single person and \$45.60 per fortnight combined for a couple. From 1 July 2010, recipients will be able to receive the equivalent of the new pension supplement on a quarterly basis instead of fortnightly.

## MARKET REVIEW

<i>Market Returns Quarter ended September 2009</i>	1 mth	3 mth	1 Yr	3 Yrs	5 Yrs
<b>Australian Markets</b>					
S&P/ASX All Ordinaries Accumulation	6.05	21.55	7.40	1.74	9.74
S&P/ASX 50 Accumulation	6.41	21.27	10.44	2.62	10.40
S&P/ASX Small Ords Accumulation	5.05	21.82	6.26	-1.65	7.62
<b>Property</b>					
S&P/ASX 300 A-REIT Accumulation	10.04	30.79	-23.02	-18.65	-4.63
<b>Australian Fixed Interest &amp; Cash</b>					
UBS Treasury All Maturities (Government Bonds)	0.59	1.25	5.31	6.30	5.78
UBS Composite Bond All Maturities	0.72	1.76	7.07	6.29	5.88
90 Bank Accepted Bill	0.28	0.82	3.98	6.11	6.00



The rally of Australian markets continued through the September quarter. The policy response from governments and central banks around the world, the sound nature of developing economies financial systems, and the successful Chinese Government stimulatory package has meant the downturn in the Australian economy was shallower than expected. Banks were the strongest performers over the quarter and the telecommunications sector was the worst.

The recovery in the world economy has been led by emerging market countries, particularly those in Asia and Latin America. Their healthier banking systems and relatively stronger economies have shielded them from a

lot of the pain suffered by the economies at the centre of the financial crisis.

The stimulus packages undertaken by Governments around the world has enticed investors back into the market place from taking a defensive position earlier in the year. As the above table indicates via the three 'three month' returns column, there has been a 'bounce back' in prices as investors have returned to the markets. We believe a cautious approach is warranted moving forward, because even though the Australian market has experienced a strong rebound, in other parts of the world, such as the US, consumption spending remains weak and unemployment continues to rise.



### SUPERANNUATION UPDATE

As we are six months into the new financial year, it is a good time to check the level of your superannuation contributions. Remember to include all superannuation funds you or your employer are contributing to.

Superannuation Contributions Limits pa	Over Age 50	Under Age 50
Concessional Contributions Cap	\$ 50,000 *	\$ 25,000
Non Concessional Contributions Cap	\$150,000	\$150,000

\*until 30 June 2012, then \$25,000

Concessional contributions include employer contributions, salary sacrifice, and personal contributions for which the individual claims a tax deduction. Contributions in excess of cap are taxed at 31.5% (in addition to standard 15% contributions tax).

Non-concessional contributions include personal contributions for which an individual does not claim a tax deduction. Individuals under age 65 may contribute up to \$450,000 by bringing forward up to two future years' entitlements. Contributions in excess of cap are taxed at 46.5%.

## ***SUPERANNUATION - BINDING NOMINATION***

Although it has a low likelihood of occurring in the early days of their retirement for most people, death may come to any of us in an unexpected way. With some foresight, this eventuality may be dealt with to ensure that your superannuation lump sum is dispersed according to your wishes.

Your superannuation lump sum is often the largest single capital item you possess apart from your home.

There are broadly three possible instruments for providing direction for your preferred disbursement of this asset - A binding nomination to the trustee of the superannuation fund, a non binding nomination to the trustee of the superannuation fund, or a will. (A will should be held to deal with other assets and bequests that fall outside of superannuation, but may also be an instrument of direction for the trustee of a superannuation fund in the event of your death).

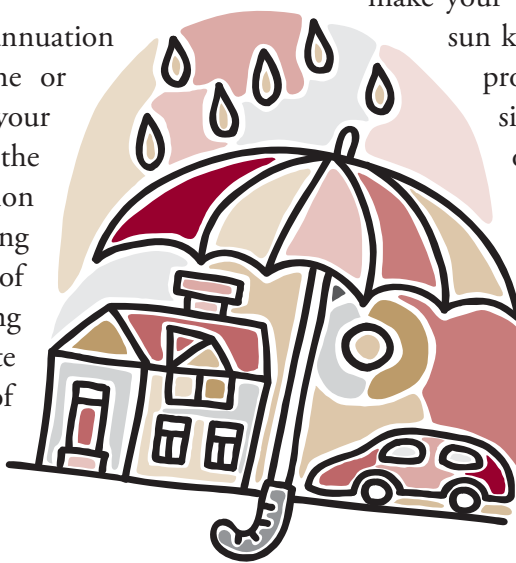
After your death the Trustee of a Superannuation fund must pay your benefit to one or more of your dependants and/or your Legal Personal Representative. Of the three options for providing direction to the trustee only one, the binding nomination, provides for certainty of outcome. If you have a non binding nomination the trustee has absolute discretion to determine which of your dependants are to receive your benefit. A non binding nomination

is not binding on the trustee but may be taken into account by the trustee when determining to whom to pay your benefit.

If you have a binding nomination the trustee must pay your benefit to the dependant that you have nominated in the proportions that you have set out in your nomination.

A binding nomination ensures that your nominated beneficiary will receive your lump sum without delay or complication as the Superannuation Trustee has no discretion, they are bound by your direction. If you have a will only, the Trustee is bound to seek guidance from the Will, but must also ascertain who else may have a claim on the benefit. It is often a lengthy process with a prolonged period before money may be paid and there is no guarantee that your intentions will be fulfilled.

A Will should be in place and there is no reason not to make your wishes on the superannuation lump sum known in the Will as well as issues of property and bequests. However, for simplicity and a definite and prompt outcome of your wishes, a binding nomination is the best way to handle the dispersal of a superannuation lump sum, and takes pressure off the family at what is a most distressing and traumatic time of their lives. We recommend that you give this issue careful thought and then act on your decision promptly.



## ***FROZEN FUNDS UPDATE***

During the turbulence of the global financial crisis the Federal Government created the bank deposit guarantee to ease up the potential restrictions to liquidity and lending activity. Our international competitors in the banking sector were able to access similar guarantees and the government did not want Australia to be placed at a disadvantage in the international market. In October last year more than 30 funds, holding more than \$25 billion on behalf of 250,000 investors froze redemptions after a run on non bank deposits. The run on mortgage funds was a result of federal government guarantees on bank deposits. Mortgage funds are still not accepting withdrawals. Some Fund Managers are replacing quarterly withdrawal “windows” with “special distributions” which are a distribution of capital and income each quarter. The bank deposit guarantee was due to run for three years.

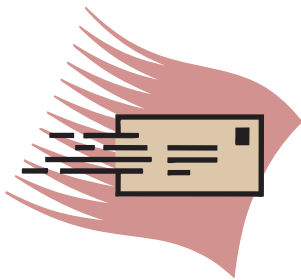
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