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Can money equal happiness?

You don't have to be wealthy to give, and you don't necessarily have to give money. Philanthropy is the planned and structured donation of money, goods, time, voice and influence to improve the wellbeing of humanity and the community.

Some people spend their lives in pursuit of making more money and building more wealth, but there is little evidence to suggest that an increase in money leads to an increase in happiness. According to Clive Hamilton and Richard Deniss' book *Affluenza: when too much is never enough*, even though we have experienced increases in our material wellbeing over the past 50 years, we are, in fact, not actually any happier.

Greater wealth will create better societies, so say many economists and politicians, but why is our society often characterised by mental disorders and high levels of substance abuse? The short answer is that money doesn't equal happiness.

It's well established that donating money to charitable organisations can offer tax advantages like deductions, but for many Australians, the benefits are more personal. Donating to a worthy cause can be rewarding in many ways. It can provide feelings of happiness, satisfaction, fulfilment and a knowing that you are doing something that matters.

It is estimated that a total of \$11 billion worth of money and goods and services is donated to not-for-profit organisations. Of this, \$7.7 billion is donated by individuals and households, and comes from 13.8 million people, or 87% of adult Australians¹. So, it's fair to say that philanthropy is prevalent within Australian society.

¹ Giving Australia report, October 2005, www.philanthropy.org.au



While the idea of giving may seem to run counter to the rationale for seeing a financial adviser, charitable giving can be incorporated into your wealth plan to offer innovative ways of managing tax liabilities

such as capital gains. With such a large proportion of the population making donations to not-for-profit organisations, it makes sense to structure your giving in a way that can increase its benefit.

Vehicles for giving

Various structured vehicles exist to facilitate your philanthropic activities, whether or not you have a large amount to give.

Prescribed private funds (PPFs) are a solution for those who wish to establish their own foundation, and can be established by an individual, family or organisation. Funds are invested and the returns distributed to the charities of the founder's choice. The investments are managed in a tax-free environment, allowing them to grow more quickly. All contributions to the fund are fully tax deductible. Assets such as property and shares can also be transferred into a PPF under certain conditions.

Sub-charity funds and donor-advised funds are offered by some funds management and trustee companies, and can be established in your name. They usually sit as a sub-fund under the umbrella of a company's foundation fund. Funds are typically

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managed in pooled investment vehicles. These types of trusts typically last into perpetuity and can be established for little or no cost. The minimum investment is usually \$20,000 and is suitable for people who wish to take a less 'hands on' role in the fund and distribution of returns.

Community foundations are another type of donor-advised fund, usually established to raise funds from or render assistance in a defined geographic area. They generally allow donors to establish a sub-fund within a trust, and provide advice about distribution or earnings. Like donor-advised funds, the minimum investment is usually around \$20,000.

Of course, there are also many other ways that you can get involved in philanthropy, such as regular giving, payroll (salary sacrifice) giving, volunteering, making a direct gift of property (like bequests), equity release or insured bequests. Contributing to an existing charitable organisation's endowment fund can allow your gift to endure in perpetuity.

In recent years, many not-for-profit organisations have significantly improved their transparency, accountability and reporting standards, so with a little research you can find a charity that you can engage with to make a difference to your community.

Financial benefits of philanthropy

- Tax considerations for giving can be spread over a period of up to five income years, to optimise deductibility versus income.
- Endowment funds known as charitable trusts can be set up with as little as \$20,000, where the capital and income can grow in a tax-free environment and earnings can be distributed to the charities of choice into perpetuity. Control of these charitable trusts can be passed down through generations within a family.
- Gifts of property and other assets (like shares) can also be tax deductible (subject to a valuation accepted by the Australian Tax Office), which can help redirect capital gains liabilities.
- Gifts that are made during one's lifetime can attract a tax deduction, unlike estate bequests.

2008/09 Federal Budget

The 2008/09 Federal Budget was handed down on 13 May 2008. The budget has seen many minor adjustments with the main outcomes being tax cuts, means testing of family tax benefits and the baby bonus. Thankfully there was very little change to the superannuation system.

Taxation changes

Personal tax cuts promised in the 2007 election campaign will be delivered.

There have been increases to the low income tax offset, thresholds for the Medicare levy, and phase in limits for those eligible for the senior Australian tax offset. The Medicare levy surcharge thresholds have also been significantly increased.

These changes benefit all taxpayers, and for older Australians generally increase the amount of taxable income that can be received tax free.

From 1 July, the child care tax rebate will increase from 30% to 50%, and the maximum out of pocket expenses claimable will increase to \$7,500 per child per year. Families on incomes over

\$110,000 will no longer receive any child care benefit for using approved care.

The baby bonus will increase to \$5,000 from 1 July, and will be indexed annually. From 1 January 2009, the bonus will only be eligible to families whose adjusted taxable income is less than \$150,000.

Eligibility for the family tax benefit part B will be income tested from 1 July, and the primary income earner must have an adjusted taxable income of less than \$150,000.

There are changes to fringe benefits tax (FBT) on jointly held assets, and tightening of the exemption for work related expenses, for example, laptops.

Employees who participate in employee share schemes (EES) and elect to be taxed on shares upfront must now include amounts above the \$1000 exemption in their tax return for that year.

For more information on how the budget changes may affect you, speak to your adviser.

Tax thresholds will change from 1 July 2008. Here is an example of the weekly savings (excluding Medicare and Tax Offsets):

Current threshold	Tax rate (%)	Threshold from 1 July 2008	Savings from 1 July 2008
\$0 – 6,000	0	\$0 - 6000	–
\$6,001 – 30,000	15	\$6,001 – 34,000	\$8.65 per week for someone earning \$33,000 p.a.
\$30,001 – 75,000	30	34,000 – 80,000	\$11.53 per week for someone earning \$50,000 p.a.
75,001 – 150,000	40	\$80,001 – 180,000	\$21.15 per week for someone earning \$95,000 p.a.
\$150,000 +	45	\$180,001 +	\$50 per week for someone earning \$180,000+ p.a.

Now I know my **A B C**s...

Government or private, home school or catholic, uniforms, textbooks, school bags, excursions, tuck shop lunches... do all these have your wallet shaking in fear?

Deciding how and where to educate your children is a decision faced by parents much earlier in life. And with the cost of education rising rapidly – the education segment of CPI was more than double the rate of inflation last year¹ – it's important to decide early just how you are going to pay for it.

The Australian Scholarship Group suggests that in 2008, parents can expect to pay between \$2,662 and \$6,952 a year for pre-school education; between \$5,317 and \$12,561 a year for primary school education; and between \$5,618 and \$21,112 a year for secondary school education, depending on whether you choose government or private schooling. Then there's university, should you choose to pay your children's course fees upfront.

Putting away money early, and often, is important to ensure you'll be able to comfortably meet these expenses. Choosing the right savings or investment vehicle is just as vital in meeting your education savings goal. A bank account, managed funds, education savings plan, or investment bonds are just some of the options for investing this money.

Let's take a look at a case study. Jason and Sarah are married with two children, Jacqui, who is three and Joel, who is one. They are both on a marginal tax rate of 31.5% (including Medicare levy).

Jason has just received a bonus of \$20,000 (after tax) from his employer, and has decided to use this money to start saving for their children's education. They can also afford to contribute another \$200 per month towards this education funding, and expect to use the savings in around five years.

Now, all Jason and Sarah have to decide on is the investment vehicle they will use to make their savings grow.

Investing in a bank account

The most basic strategy for Jason and Sarah would be to open a bank account with the \$20,000 and then also contribute \$200 a month to it. This is an easy way of saving and would allow immediate access to the funds if they require them. They may consider an account with a more generous interest rate such as an online savings account or cash management trust. Assuming an interest rate of 7%, after five years their investment will be worth \$38,991.

Investing in a managed fund

A managed fund allows you to invest in a range of asset classes, which generally leads to a higher rate of return over the long term. Also, the earnings on a managed fund are comprised not just of interest but also of franked dividends (from Australian share

exposure) and capital gain. This allows earnings to be taxed more concessionally than if the funds were invested in a bank account.

If Jason and Sarah placed their \$20,000 into a managed fund that was invested in a growth portfolio of Australian and international shares, listed property, fixed interest and cash, they might expect conservatively to receive income of 4% per annum and unrealised capital gains of 5% per annum over the long term. They might also expect around one-third of their income to be franked dividends from Australian shares.

Therefore, if Jason and Sarah invested \$20,000 initially, as well as \$200 each month, after five years their investment will have grown to \$43,258.



Investment bonds/ education savings plans

Another option available to Jason and Sarah is an investment bond. Investment bonds are pooled investments and have underlying assets similar to managed funds, although there are differences in the legal structure and the tax treatment of investment bonds. If the investment bond is held for 10 years or more, the earnings on the investment are only charged a flat 30% tax, instead of Jason and Sarah's marginal tax rate, which may be greater by the time the investment is withdrawn.

However, Jason and Sarah anticipate needing these funds in around five years time, so any growth will be taxed at their marginal tax rate, less a 30% tax rebate.

If Jason and Sarah invest \$20,000 plus \$200 per month in an investment bond that has balanced exposure to all asset classes, they might expect the same earnings as their managed fund portfolio over the long term. In this situation, after five years the net value of their investment bond will be around \$42,394. This amount assumes that Jason and Sarah's marginal tax rate is 31.5%. However, if large amounts are withdrawn in one financial year, for example to pay for school fees, this will likely lead to an increase in their tax rate and a lower net investment balance. An investment bond doesn't qualify for the 50% CGT discount available to those who hold assets for longer than 12 months.

An education savings plan operates in a very similar manner to an investment bond. For Jason and Sarah, a \$20,000 initial investment and contributions of \$200 per month is likely to leave them with a similar net balance at the end of the five years.

¹ www.abs.gov.au

The building blocks of portfolio success

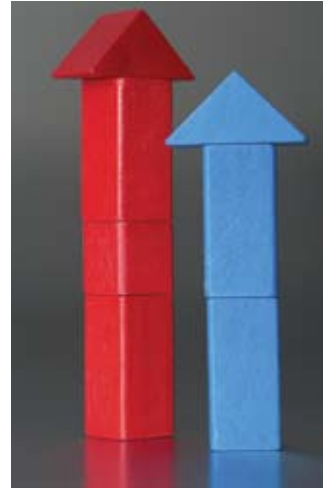
Portfolio construction is an important part of the financial planning process. Whether your financial goals dictate that your portfolio delivers steady growth, income, capital preservation (wealth protection) or you are an aggressive investor who uses leverage to build wealth, your adviser will work to tailor your portfolio to your individual needs.

In tailoring a portfolio, your adviser will consider a number of factors such as:

- Your risk profile – established using questionnaires (fact finds) and interviews
- Your time horizon – preferably long term! However, sometimes a portfolio needs to be invested in very low capital risk assets for short-term cash requirements
- The return requirements
- Your specific needs – in other words, your financial and lifestyle goals

Using this information, your adviser then needs to be able to construct a portfolio of investments that meets your goals and circumstances. These portfolios should have a mix of assets that produce results or returns that meet those objectives. In addition to the traditional asset classes of shares, property, cash and bonds, depending on your risk profile your adviser may also look at including alternative investments in your portfolio such as hedge funds or commodities.

The mix of assets are regularly tested against current return and risk expectations for the market based on the medium to long-term



returns expected for each asset type. This review and testing is a constant and rigorous process, and is undertaken both internally by Genesys, and by external research houses.

As an adviser with the Genesys network, we have access to the strength and resources of Genesys' high quality investment and economic research, risk insurance and financial strategists along with powerful software to help establish and manage your investment portfolio. As a result, of the tens of thousands

of investments available, only a few hundred make it onto our approved investment list.

In the next edition, we'll explain the process that independent research houses, and the Genesys investment research team, undertakes when reviewing investments, and how they rate investments before recommending them to you.

What an inspiration....

At Genesys we all love a great story to inspire our lives. Here's one of them.

Erik Weihenmayer is one of the most accomplished athletes in the world, gaining world fame for his paragliding, skiing, and most notably mountain climbing. Over a seven year period he climbed the Seven Summits – the highest mountains on each of the seven continents (including Australia's own Mt Kosciuszko), joining only 100 mountaineers who have accomplished that feat. And at age 33, he was also one of the youngest to do so.



Why is this story so extraordinary? Erik is blind, and has been his whole adult life.

He has dedicated his life to breaking down any boundaries that may otherwise have been placed on him, and inspiring other vision-impaired people to do the same. He turns 'every day struggles into everyday greatness'. Among his many quests, he made history by leading a group of blind Tibetan teenagers to 21,500 feet up Mt Everest. Apart from the obvious thrill of standing so high, the most important and moving outcome of this accomplishment is that it gave the teenagers new courage to excel in a culture which affords few opportunities for the blind. Erik has won a wide variety of

prestigious awards and has been responsible for raising millions of dollars for blind organisations and other worthy causes around the world.

Erik was recently in Australia again and embarked on yet another adventure, this time with a group of vision-impaired young Australians. Along with a group of volunteers Erik led the group on a three day hike through Wollemi National Park in NSW, through extremely adverse weather conditions.

A Genesys employee was fortunate enough to be chosen as one of the volunteers to help chaperone these vision impaired young people on this trek. 'Erik has shattered my previous view on life. The whole experience has taught me to re-examine my own self-imposed limitations, particularly those based on fear. I still have choice in all I do or don't do, but the excuse of not-doing-it-because-of-fear, now seems a little soft!' said the volunteer.

Erik has never let his blindness interfere with his passion for an exhilarating and fulfilling life. There is a message in this for everybody. With adversity, comes opportunity. With a challenge, comes potential greatness.

Recycle your debt

Statistics tell us that Australia's total household debt now stands at \$650 billion – about \$32,500 for every man, woman and child¹.

For every \$100 we earn, we owe \$160² and with interest rates heading north, inflation hitting new highs, and more and more Australians feeling the 'mortgage stress', a little financial re-arrangement could make a world of difference.

One way to improve your financial position is to recycle your debt from bad to good. For example:

Pay off your property

A mortgage on your home is generally considered good debt as you have a tangible investment (asset) and somewhere to live. However, it is still a large debt and the sooner you pay it off, the less interest you will pay. What's more, interest on a home loan is non-deductible i.e. there are no tax advantages.

Early repayment of your home loan, through extra repayments, may save you thousands of dollars off the overall cost of the loan. Be careful though – some lenders charge early repayment fees.

While extra repayments are all very well in theory, if you're stretched to the max making mortgage repayments, how will you find the money to make extra repayments?

Make money from recycled debt

If you have equity in your home, or other assets, you can borrow against the value of these to purchase investments such as managed funds. The interest charged on these types of loans is tax-deductible. This strategy is commonly called gearing and can help with reducing tax and generating income. Please note there is risk involved in borrowing against your home and risk associated with investing. Therefore it's important you consult your wealth adviser before making any financial decisions. Gearing strategies are reserved for clients with a Growth or High Growth investment risk profile, a long term timeframe and regular disposable income.

If you have equity in your home, you could also redraw against your home loan to pay off other debts such as credit cards, personal loans and car loans. This can help make repayments more manageable, and also substantially reduce interest payments as home loans tend to have lower interest rates than other forms of credit.

Recycle your investment income

Any cash dividends that you receive from managed funds and other investments can be recycled into paying off non-deductible debt like your home loan.

Recycle your tax savings

The interest on investment loans is tax-deductible (as long as you use the loan to earn assessable income on investments). Once you've received your tax deduction, you can recycle it by making extra payments on your home loan.

Debt consolidation

A number of providers now offer debt consolidation loans, where you roll all your debts into one loan with a lower repayment. By carefully choosing the right loan, you can substantially reduce repayments, put some money back in your pocket and make long-term savings over the life of the new loan.

However, if you are taking out a debt consolidation loan, it's important to continue to pay as much as possible each month off the balance of the loan, otherwise you could still be paying your debts off for many years to come!

Case study

Jake has a home loan, car loan and credit card debts totaling \$250,000. After discussing his options with a Genesys Strategic Finance Consultant, Jake has decided to consolidate all his loans into one personal debt-consolidation loan.

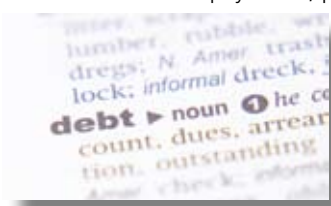
By consolidating his debts into one loan, Jake has reduced his current monthly payment of \$2,400 to just one repayment of \$1,700. This represents a monthly saving of \$700 or \$170 a week.

If Jake makes additional repayments above the required \$1,700 a month, he can make substantial interest savings over the term of the loan.

Case study source: www.moneybuddy.com.au

Genesys can help you source the right loan for your needs. We act as loan and mortgage brokers on your behalf, doing all the research and applying our experience and knowledge to your benefit.

¹ www.rba.gov.au
² www.ifsa.com.au



100 years ago

Looking back 100 years takes us to the year 1908, which saw the births of some of Australia's most infamous characters, including Sir Donald Bradman and Prime Minister Harold Holt. Also born in 1908 were English writer Ian Fleming (of James Bond fame) actress Bette Davis and industrialist Oskar Schindler (on whom the film Schindler's List is based).

Other notable events to occur in 1908 include:

- A ball signifying New Year's Day is lowered into New York City's Times Square for the first time, a tradition that continues to this day.
- Australia regains The Ashes with a 308 run cricket victory over England.



- The fourth (IV) Modern Olympic Games are held in London, England.
- Henry Ford produces his first Model T automobile, which stayed in production until 1927.
- Rugby league is first played in Australia, following a break away from the rugby union establishment.
- Andrew Fisher becomes the fifth Prime Minister of Australia.
- The Bureau of Investigation is formed in the United States, predecessor of the FBI.
- Robert Baden-Powell writes *Scouting for Boys*, signifying the start of the Boy Scout Movement.
- The first passenger flight was piloted by Frenchman, Henry Farman.

News bites

Cost of living increases for retirees

Increases in the price of petrol and transportation in the December 2007 quarter have pushed the cost of living up for retirees.

Westpac and Association of Superannuation Funds Australia data have shown that a couple wishing to maintain private health insurance and regular holidays would have to spend \$48,962 annually, an increase of \$314 from the September 2007 quarter. A retired couple wishing to pay for basic needs would need to spend \$26,531 per annum, an increase of \$192 from the September 2007 quarter.

Compounding the problem of increased cost of living is the fact that people are living much longer but not saving as much. New statistics suggest the average person could live to 90 or 100, so many people are running the risk of running out of savings before they die.

Source www.superannuation.asn.au

Blood pressure lower in happily married people

A U.S. study has found that happily married couples have lower blood pressure than single people. Perhaps not surprisingly, unhappily married couples had higher blood pressure than both happily married and single adults.



It is thought that spouses can promote healthy habits, such as eating healthily and encouraging the other to see a doctor when necessary, and also provide emotional support during good and bad times.

Source: <http://news.yahoo.com>, 20 March 2008

Support a charity by donating shares

Do you have small parcels of shares that are not really worth selling because of brokerage fees and tax? If you do, you can now sell them and donate the proceeds to charity, and reduce brokerage fees and tax. For more information visit www.sharegiftaustralia.com.au.

Women understanding money

The Government-run Financial Literacy Foundation has released 14 fact sheets especially for women, entitled 'Women understanding money'. Research by the Financial Literacy



Foundation revealed that most women have good budgeting skills and saving habits, but lack confidence when making investment decisions and planning for retirement.

The fact sheets cover everything from budgeting to investing and making the most of superannuation and include case studies, tips and jargon busters.

To access the fact sheets, visit www.understandingmoney.gov.au.

Offsetting your carbon footprint

Reducing your impact on the environment is big at the moment, with many companies offering to 'offset' your carbon footprint, for a small fee.

For example, for a family of four to fly from Melbourne to Sydney, Virgin Blue calculates that 0.6 tonnes of greenhouse gases would be created, and charges \$7 to offset this amount.

www.carbonplanet.com calculates that the same trip would be worth 1.3 tonnes of greenhouse gases and charges \$30 to offset. Clearly there is a big difference!

This is because there are no standard measurements for calculating your greenhouse gas emissions, so it's worth understanding what you are actually offsetting.

www.cleanair-coolplanet.org says that it's impossible to know whether purchasing carbon offsets will actually render you carbon neutral, so make sure you research what it is you're paying for as your offsets can end up all over the world.



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