

Keeping checks of your super

Superannuation is fast becoming a major asset for most and yet too many people still aren't taking an active role in looking after their super.

It's your responsibility to make sure you're being paid your correct super entitlement. No one else is checking your super for you and missing out on contributions could adversely affect your retirement plans.

By law, your superannuation fund has to send you a member statement at least every 12 months. When you receive your next statement, look out for the following to make sure you're getting your proper entitlement.

Your superannuation guarantee (SG)

- 1 Check that your SG is being paid into your superannuation account at least quarterly.
- 2 To check that you're getting the right amount of SG, you first need to know your ordinary time earnings (OTE). Your OTE is the amount you earn for your ordinary hours of work and generally includes your ordinary pay, over-award pay, shift loading and commission. A detailed list of what is included in OTE can be found at www.ato.gov.au. Your SG entitlement is nine per cent of your OTE.
Example: Barbara earns \$1,200 a week before tax, or \$15,600 per quarter (\$1,200 x 13). She is entitled to \$1,404 of SG contributions each quarter (\$15,600 x 9%).
- 3 If you think you're not being paid correctly, speak to your employer to find out why. If you're not happy with the result you get from your employer, you can lodge an enquiry with the Australian Tax Office by phoning 13 10 20.

If you salary sacrifice

- 4 If you salary sacrifice, check what salary base your employer is using to calculate your SG. By law, an employer only has to base your SG entitlement on your reduced salary. In addition, the employer is able to count the salary sacrificed amounts as their SG obligation.

Example: Bill's gross salary is \$70,000. His SG entitlement is \$6,300 per annum. He arranges with his employer to salary sacrifice \$20,000. By law, Bill's employer now only has to pay SG on \$50,000 and what's more, the employer can say that the \$20,000 salary sacrificed amount covers the SG obligation and therefore he does not have to make any further contributions. Bill could therefore be missing out on \$6,300 of SG contributions every year.

- 5 Check how often your salary sacrificed amounts are being contributed into your super fund. There is no law specifying how often your employer must pay salary sacrifice contributions into your fund so you could be missing out on investment returns if your salary sacrificed amounts are not being paid regularly.
- 6 If you think you are being disadvantaged because of a salary sacrifice arrangement you have in place with your employer, speak to your financial adviser to find out your options.

If you have insurance cover inside your super fund

- 7 Have a look at your insurance cover. Is it still appropriate? As you pay off your mortgage and your children become independent, you may be able to reduce your cover and therefore the cost of your insurance. If you're not sure how much cover you need, speak to your financial adviser.

Your investment options

- 8 What are you invested in? If you've never made an investment selection, then you're probably in a default option. Depending on your risk profile, this might not be appropriate and might affect the amount you're expecting to get on retirement. Your financial adviser can help determine your risk profile and advise if your current investment option is appropriate.

Your beneficiaries

- 9 Have you completed a binding death benefit nomination within the past three years? If you haven't and you die, the trustee of your estate will determine who will inherit your super savings. You should also ensure that an appropriate person has been nominated, as if the incorrect person is nominated, it could result in the nomination becoming invalid.

News bites

Government package to boost our economy

The Australian government recently announced a \$10.4 billion emergency package in a bid to boost our economy.

The package includes:

- Pensioners to receive a lump sum of \$1,400 (\$2,100 for couples) from 8 December 2008.
- Low and middle-income earners to receive \$1,000 for each child from 8 December.
- First-home owners grant to be trebled to \$21,000 for newly constructed homes, and doubled to \$14,000 for other dwellings.
- Fast tracking of infrastructure spending.

It is expected these measures will result in a boost in consumer spending (currently the weakest part of the economy) in the lead up to Christmas and the New Year period. Expedited infrastructure spending and increased support for first-home buyers aims to increase construction activity and improve the growth outlook.

These measures, combined with the recent interest rate cuts, the fall in value of the Australian dollar (which has improved the competitiveness of our exporters in the global market), plus declining oil prices should provide relief to many businesses and consumers.

Australia is in a favourable position compared to many other developed countries, due to our comparatively high interest rates and the willingness of the Australian government to support growth.

Ethical investing

Climate change has been big news over the past few years, but research conducted recently by the Financial Services Institute of Australasia shows while advisers and their clients understand the long term risks of climate change, there is little action being taken to improve the situation.

A lack of expertise, knowledge and understanding of sustainable investments, few government incentives for investments in new technologies and sustainable products coupled with limited client demand has left very few investors with sustainable investment products in their portfolio.

The carbon trading scheme together with legislation to protect our environment, resources, people and safety could adversely affect companies that are slow or reluctant to adapt to change. By avoiding these companies you could protect the value of your investments, so speak to your adviser if you have concerns about the activities of some of the companies in which you invest.

Gen Y to sidestep economic crisis

KPMG demographer Bernard Salt has said that Generation Y will not bear the full brunt of the current economic crisis. Because Generation X is more likely to be part of a one-income family with a mortgage and kids to support, they will feel the effects of the economic crisis more severely than Gen Y. The current situation is just likely to force Gen Y to grow up more quickly and face the real world, and teach them sound financial management. "Gen Y will come through this tempered, hopefully with no real regrets, but a better view of discretionary spending," Salt said.

Source: *MX*, 23 October 2008

The new breed of baby boomers

Australia is in the midst of a baby boom, with the highest number of registered births ever. There were 285,200 births in Australia in 2007, 3.2 per cent higher than the previous record of 276,400 set in 1971, and a seven per cent rise from 2006.

More than half the babies were born to first time mothers, and 33 per cent were a woman's second child. The statistics also show couples are waiting longer to have children, with the median age of mothers 30.7 compared with 29.4 in 2007, and fathers averaging 33.1, compared with 32 in 1998.

Source: Australian Bureau of Statistics



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The fable of Mr Market

Warren Buffett, one of the world's richest men and most famous investors, has often said 'be fearful when others are greedy and be greedy when others are fearful.'

Buffett was very fortunate to have learnt this mantra early on, and has stuck to it, thanks to his mentor, a very astute investor by the name of Benjamin Graham.

In volatile market conditions, such as those we are currently experiencing, a lesson in the art of value investing is timely. Put simply, value investing is about investing in companies that you believe represent good value for your investment dollars.

But with share markets bringing together thousands of people with mountains of information and real time stock prices, how do you ensure you find the companies that represent the most value before everyone else does?

These days, where stock prices are relayed almost instantly, investors start to focus more on where they think the prices are headed, rather than the underlying value of the shares themselves. Investors then attempt to predict future price movements, according to past movements, and often end up buying high and selling low.

So understanding the basics of value investing can come in handy, provided you are able to stick to them. To do this, an investor will calculate the intrinsic value of a share by differing methods to come up with a price that he or she believes represents good buying value – based on personal research. The value investor will stick to this

notion, not necessarily following what the market dictates the price to be.

The fable of Mr Market can help explain; Graham used an imaginary investor called Mr Market to demonstrate his point that a wise investor chooses investments on their fundamental, or intrinsic, value rather than on the opinions of others or the direction of the markets.

Think of yourself as owning a share in a business in partnership with others. One of your partners, Mr Market, is somewhat of a neurotic who on any given day will offer to buy your share or sell you his at a specific price. His moods can fluctuate anywhere between incredible optimism and overwhelming depression. One day he will nominate a higher price to buy or sell, the next day he might increase it, lower it, or even appear uninterested in whether he buys or sells.

The point that Graham makes is that Mr Market's judgment is formed more by mood swings than by rational thought and that this gives the wise investor buying and selling opportunities. If Mr Market's price is unreasonably high, then wise investors have the opportunity to sell. On the other hand, if it is unreasonably low, then they have the opportunity to buy. The important thing is that a successful and careful investor makes her or his own decision, based on their own ideas of the worth of the investment.

Knowing which companies you think represent value for money is important to

be able to make informed decisions, and not follow the whim of the market.

When determining the intrinsic value of a company and its shares, you need some basic knowledge of a company and the way it conducts its business, as well as its competitors. Understanding the company's products or services, and how these are received by customers is also important. Having a basic familiarity of company accounts will help you to understand how the company makes money, and more importantly, creates value for shareholders.

It's also important to remember that the health of the global economy has a fundamental influence on share prices because it is ultimately responsible for driving company profits. Broadly speaking, if the economy is growing, company profits improve and shares will become more highly valued. If the economy is weakening, company profits will fall and share prices will go down. This doesn't necessarily mean the company and its shares do not represent value but it is an opportunity to do some research and potentially buy in at a much lower price. If you can correctly identify an undervalued stock, then it doesn't matter what the market does. Make sure you take a long-term view of the investment, and enjoy its returns for years to come.

- 1 www.buffettsecrets.com
- 2 www.buffettsecrets.com/mr-market.htm
- 3 www.londonstockexchange.com/engb/pricesnews/education/experiencedinvestors/makingsenseofdata/influenceshareprice.htm



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Keep your identity yours

Identity fraud costs Australian individuals and businesses a massive \$4 billion per year, according to the Australian Federal Police.

And while 87 per cent of us are concerned about identity theft, 75 per cent admit to throwing out enough personal information, like bank or credit card statements, to put themselves at risk of identity fraud.

Identity fraud occurs when someone steals or comes into possession of your personal information, and uses this information to commit a crime. Your personal information may include your name, date of birth, address, drivers licence, tax file number, credit card and bank account details.

Identity fraud crimes can vary from someone illegally using your credit card details to make purchases over the internet or telephone, to someone assuming your identity and using it to open bank accounts, take out loans, lodge tax returns and conduct other business illegally. Crimes where someone assumes your identity are fairly rare in Australia, but illegally using some one else's details to commit fraud is more common.

Identity fraud crimes can happen very quickly, from credit card details being 'skimmed' when you make a purchase, to losing your wallet and other personal effects, or having them stolen.

Why does my adviser need copies of my personal identification?

As a result of new Anti-Money Laundering and Counter-Terrorism Financing legislation, your adviser may have requested copies of your identification. The AML/CTF laws meet higher international standards to protect Australian businesses from being used for money laundering and terrorism financing purposes.

There are simple steps that can be taken to protect yourself from identity fraud, so you can reduce the risk of a crime being committed against you.

- 1 Install and keep up to date anti-virus and firewall software on your computer.
- 2 Never respond to an email requesting confidential banking details, like your PIN or internet banking password. Banks will never send you an email asking for personal security details.
- 3 Don't use public computers for internet banking – there is no guarantee that security software has been installed.
- 4 Provide only necessary information about yourself.
- 5 Destroy personal information such as bills and bank account statements.
- 6 Lock your letterbox.
- 7 Check you've received all expected bills and statements.
- 8 Sign all credit and debit cards as soon as you receive them.
- 9 If you move house, immediately tell your bank, card issuer and other organisations that hold your personal information.
- 10 Securely store personal information at home.
- 11 Keep your receipts and thoroughly check your account statements as soon as they arrive.
- 12 Don't leave documents that contain your personal details in your car.
- 13 Have passwords and regularly change them for your handheld electronic devices (like mobile phones, blackberries and electronic organisers).
- 14 Read privacy policies before providing information to any business to ensure you understand how your information will be used and protected.
- 15 If travelling overseas, consider whether it may be safer to use a separate credit card for these transactions.

Source: www.protectfinancialid.org.au

As a result of the legislation, your adviser is required to undertake client identification and verification procedures, including retaining prescribed documentation to support your identity. It's important to note that your details are treated in the strictest confidence.

If you have any concerns about providing your personal information, speak to your adviser, download the Genesys privacy policy from www.genesyswealth.com.au, or visit the Australian Transaction Reports and Analysis Centre (AUSTRAC) website at www.austrac.gov.au. www.stopidtheft.com.au

Australian government guarantees bank deposits

As the financial turmoil around the globe rolls on, governments around the world have taken unprecedented steps to guarantee the liabilities of their financial systems.

The Australian federal government has also moved to support the financial system by guaranteeing bank deposits. The guarantee is part of a three-step plan to support the Australian economy, which also includes guaranteeing Australian banks' overseas borrowings, and a \$4 billion package to shore up mortgage backed securities.

While Australia's banking institutions remain sound, well-capitalised and profitable with high asset quality, the Australian financial system is being affected by global events.

European governments have moved to insure 100 per cent of eligible deposits, while other

governments have increased their deposit insurance caps. International governments are also providing support to their financial institutions to allow them to recapitalise and gain access to wholesale borrowing.

Following the actions of international governments to support their financial systems, the Australian government felt it was important to provide the same assurances to our banks and other financial institutions. Failure to follow the lead of international governments could result in Australian banks finding it more difficult to borrow in international markets. It also could have resulted in our banks becoming

Protecting yourself has never been more important

In an increasingly volatile share market and uncertain economy, many investors look for ways to protect themselves, their family, investments and the lifestyle they have grown accustomed to. You might be feeling a little less secure with the value of investments declining, house prices stagnating, and uncertainty in the job market. That's why reviewing your level of risk insurance is a vital step in ensuring your financial future.

Should the unforeseen happen, and economic factors cause a rise in the cost of living that cannot be afforded without financial help, how would you cope? If you were unable to work, you could be forced to sell investments at unfavourable prices and incur substantial losses.

Incredibly, 84 per cent of Australians insure their car, yet only 31 per cent insure their most important asset – their ability to earn an income¹. Income protection insurance provides a regular earnings replacement if you suffer a sickness or injury and are temporarily unable to work.

This will help you maintain your and your family's lifestyle until you are able to return to work.

Term life insurance provides a lump sum payment for your family to ensure the plans you had for them can be achieved in the event of your death.

Total and permanent disability insurance provides a lump sum payment if you suffer an illness or injury and are permanently unable to work. This will help you pay the additional

What about cash management trusts?

As it currently stands, cash management trusts (CMTs) are not covered by the government's deposit guarantee. CMTs generally limit their investments to cash-like securities such as government and bank securities, and most of these will be guaranteed until 28 November. There are ongoing negotiations between the government and the industry to implement a process that could allow trusts such as CMTs and cash funds to apply for a guarantee past that date. If you are concerned about whether the guarantee impacts on your investments, please speak to your adviser.



uncompetitive in global markets, making them unable to attract funds/deposits.

The deposit guarantee covers all deposits of Australian authorised deposit-taking institutions including banks, building societies and credit unions, as well as subsidiaries of foreign owned banks, but does not cover deposits made in branches of foreign owned banks. The guarantee will be in place for a period of three years, effective from 12 October 2008.

Although it is yet to be finalised, the government has indicated that deposits worth over \$1 million will not be covered under the guarantee from 28 November 2008. Institutional

deposits over \$1 million can apply to be covered but an insurance fee will need to be paid by the issuer/bank.

The guarantee applies to all types of deposits, regardless of the type of account through which the deposit is made. Examples include savings accounts, passbook accounts, cheque accounts, pensioner deeming accounts, term deposits, mortgage-offset accounts, farm management accounts, first home savers and retirement savings accounts. It also covers both retail and wholesale deposits.

The statistics can't be ignored²:

- More than 60 per cent of Australians will be disabled for more than one month during their working life.
- More than 15 per cent will be disabled for more than three months during their working life.
- One in six men, and one in four women, is expected to suffer a disability between the age of 35 and 65 that causes a loss of six months from work.

¹ IFSA launches insurance campaign, Financial Standard, 8 August 2008
² Institute of Actuaries Table IAD 1989-93 and ALT 90-92

It's beginning to look a lot like Christmas

With the festive season fast approaching, we thought we'd take a look back at the origins of Christmas and separate fact from fiction, by explaining where many of the common customs we celebrate at Christmas time originated from.

Celebrating Christmas on 25 December originated in the fourth century. The Catholic Church wanted to eclipse the festivities of a rival pagan religion (the birthday celebration of the Roman sun god Mithras) that threatened Christianity's existence. Church leaders decided that in order to compete with this celebration they would themselves order a festival in celebration of the birth of Jesus Christ. Although Jesus' birth is thought to be in spring, the date of 25 December was chosen as Christ's Mass so that it would compete head on with the rival pagan celebration¹.

The Christmas tree originated in Germany in the sixteenth century. It was common for the Germanic people to decorate fir trees, both inside and out, with roses, apples, and coloured paper. It is believed that Martin Luther, the Protestant reformer, was the first to light a Christmas tree with candles.

While coming home one dark winter's night near Christmas, he was struck with the beauty of the starlight shining through the branches of a small fir tree outside his home. He duplicated the starlight by using candles attached to the branches of his indoor Christmas tree².

The magic of Santa Claus originated in the fourth century with Saint Nicholas, Bishop of Myra – an area of present day Turkey. He became widely known for his generosity for the poor, and was particularly devoted to children. His kindness and reputation for generosity led to claims he that he could perform miracles and devotion to him increased. Saint Nicholas became the patron saint of Russia, where he was known

by his red cape, flowing white beard, and bishop's mitre. In Greece, he is the patron saint of sailors, in France the patron of lawyers, and in Belgium the patron of children and travellers. Thousands of churches across Europe were dedicated to him and some time around the twelfth century an official church holiday was created in his honour. The Feast of Saint Nicholas was celebrated on 6 December and the day was marked by gift-giving and charity.

In Holland, the Dutch spelling of his name Sint Nikolaas was eventually transformed to Sinterklaas. Dutch children would leave their wooden shoes by the fireplace, and Sinterklaas would reward good children by placing treats in them. Dutch colonists brought this tradition with them to America in the seventeenth century and here the Anglicised name of Santa Claus emerged³.

The term 'Xmas' instead of 'Christmas' is Greek in origin. The word for 'Christ' in Greek is 'Xristos'. During the sixteenth century, Europeans began using the first initial of Christ's name (the 'X' of 'Xristos') in place of the word 'Christ' as a shorthand version of the word 'Christmas'. Although early Christians understood that the 'X' was simply another form for the name of Jesus Christ, later Christians, who had no knowledge of the Greek language, mistook 'Xmas' as a sign of disrespect. Eventually however, 'Xmas' came to be both an accepted and suitable alternative to the word 'Christmas'⁴.



¹ www.wilstar.com/xmas/xmassymb.htm
² www.allthingschristmas.com/traditions.html
³ www.novareinna.com/festive/xmas.html
⁴ www.novareinna.com/festive/xmas.html