

LAKE SIDE CONSULTANTS PTY. LTD.

Insurance & Financial Consultants

(Authorised representatives of Guardianfp Ltd trading as Guardian Financial Planning)

Quarterly Newsletter

September 2008

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Director's Fore:

Three topical things that come to mind as I write this article... football and the ensuing finals, the great snow season we are having and the massive slide in some world share and property markets over the past 12 months.

As my team Collingwood slipped into the 'eight', and the share market bounces up and down, I think the best thing we skiers can focus on is the mountains and getting up there still!

The interesting thing about these three topics is that YOU can only affect the outcome of one – choosing to go to the Alps!

Worrying about the 'Pies making the grand final and your Super Fund returns is in no way productive.

I know it's easier said than done, but investors must go back to basics and remember that history has shown that the markets WILL rebound as they have always done before. Patience is the key and we need to retrain our brains to accept negative returns every so often.

Take the time to remember the very healthy returns (15 – 20%) your Super funds may have been getting over the past 4 - 5 years. This I hope will give you solace and comfort - looking longer term.

Over the last 30 years there have been seven periods when the value of the Australian Share Market fell in value by more than 10%. So history tells us that this is a natural occurrence – and just as the share market will recover – so too will Collingwood win another Grand Final!!!

Best wishes to you and your families.

Ross Hennig, Managing Director

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Congratulations! Adam Parrott

During the first half of this year we ran a competition for our clients.

For each referral to our new product Charity Life, our clients received an entry into a draw for a 'Weekend Away' for two, to either the city or Yarra Glen.

This prize was worth \$2,000 and Adam and his wife have chosen to go to Yarra Glen for their weekend, staying at Yering Station for two nights, all inclusive, as well as a winery tour via hot air balloon.

This competition was so successful, we are going to run it again. When you receive the form via email, please reply with a referral and you too will qualify for a chance to win this same fantastic prize.

Thanks again to Adam for helping us and helping his friends, family and colleagues.



Yarra Valley Escape

Looking For A Career Challenge?

Lakeside Consultants currently has employment opportunities for enthusiastic, self motivated people looking for a rewarding future in the financial services industry. If this sounds appealing please forward your resume to gary@lakesideconsultants.com.au

Currently we have vacancy for:

- Financial Planner
(minimum 3 years advising experience)

Lakeside Consultants is an authorised representative of Guardianfp Ltd
(ABN 40 003 677 334 and AFSL 237641) trading as Guardian Financial Planning.

Lakeside Consultants P/L ~ ph: 9510 0788
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INSURANCE

Annual Product Review

It is that time of year again – our insurance team has reviewed the contracts in the market to ensure our clients get the absolute best from their insurance policies.

What we found is that most insurers have made MAJOR IMPROVEMENTS to their policy definitions in the last 12 months. In particular, trauma insurance has developed to include as many as 50 – 60 events. Most policies, older than 12 months, will only cover 30 – 35 traumatic events.

At Lakeside we do not rely on research software alone to determine our recommendations. Our advisors spend many hours studying each contract and comparing the cover provided. We have literally looked at each individual definition of the trauma events covered. This involved individual assessment of the cancer cover for both men and women, analysis of the various illnesses and the severity required before a claim is accepted.

We even called on the expertise of a cardiologist to assist with the complex heart-related covers.

We analysed each part of the intricate income protection policies available in the market, to determine which policies provided the better claim options, even determining a specific policy for the self-employed and employees.

This effort has helped to establish what we believe to be the most comprehensive, quality policies available for you.

So if you have not already had one of our specialist advisors review your policy/ies recently, or you would simply like to know more about the major improvements in policies in the market, please contact us on 95100788 or email info@lakesideconsultants.com.au

Charity Life

By now you should have already heard about Lakeside's fantastic new life product – Charity Life.

This is a unique policy, exclusive to our clients. The policy includes a donation of up to \$100,000 to one of our 10 partner charity groups – at no extra cost to the client, and no reduction of benefit to the beneficiary of the policy. It is really just a matter of “why wouldn't you?”

If the cover and the premium are competitive, then a Charity Life policy makes sense. There is nothing like it on the market, and you can make a huge difference to the lives of others, simply by ticking a box when you apply!

In line with our commitment to making this work, you may have seen Charity Life in the media recently. We have been seen on 'Mornings with Kerri-Anne' through July and August, as well as commercials aired on Channel 10 in late July. Our new website www.charitylife.com.au has been launched and offers a more interactive site for the public, and we will continue to march towards Phase 2 of Charity Life later in 2008.

Our goal still firmly remains – to change the way Australians buy life insurance. Our efforts to date have only scratched the surface, and the donations pledged already exceed \$5 million. Imagine what we can do for those less fortunate, as the exposure increases.

The advertising and promotion is helpful in creating a brand, but we have found that the best possible way to advance Charity Life is by word of mouth. This means YOU.

If you are one of the hundreds of clients who have already taken out a Charity Life policy, please let your family, friends and colleagues know what you have done. This direct referral will be more powerful than any advertisement.

If you have not considered a Charity Life policy already, check out the website – www.charitylife.com.au or call us today on 1800 869 888.



The Value Of Advice

We are constantly amazed at the lack of time and planning that most people have put into managing their financial affairs, and educating themselves of what is available to them.

Anecdotally, we have found that when we meet with clients for the first time, around only 10% have previously received 'sound' advice, were confident of their investments and understood the need for quality advice in the areas of Accounting, Wills and Estate Planning, Financial Planning, Personal Risk Insurance and Borrowing. It was with this 'sound' advice and guidance that they had been able to plan and implement strategies that may have arisen in their affairs (e.g. the current market downturn).

The other 90% have not been aware of where their funds have been invested, and how they were 'performing', nor did they have current Wills or considered the risk of losing their investments due to inadequate insurance cover, etc should they be unable to work, or become ill or injured.

If you are not getting advice, you need to! You would not self-assess a major health issue, so why would you not seek advice regarding something as serious as your financial affairs - that affects so many other aspects of your life?

Additionally, have you considered some of the financial issues you may already be experiencing today, or may experience in the future? Issues like:

- Tax on Superannuation proceeds and how it differs if these monies go to NON-Dependants as opposed to Dependants
- Have you nominated a Guardian/s for your Children should something happen to you and/or your spouse?
- Do you have Medical and Financial Powers of Attorney?
- Are your insurance premiums being paid by **pre-tax or after-tax** dollars?
- How much Non-deductible debt do you have and how are you going to reduce it?
- Are you preserving debt?? (Sounds odd, but there is good reason to, in some circumstances.)
- Have you planned for any eventual inheritance?
- Do you have your assets protected OR exposed?

If not, please call to speak with one of Lakeside's experienced financial advisors today on 9510 0788.



Borrowing Funds Within Your Self Managed Super Fund (SMSF)

Recent legislation in the Federal Parliament now allows gearing within Self Managed Superannuation Funds, however strict guidelines do exist to ensure borrowings are within the intent of the legislation.

A bare trust must be established to hold the property on behalf of the SMSF and it must be a non-recourse loan (i.e., there can be no recourse to the SMSF but there can be recourse to any beneficiaries of the SMSF if individual lenders so desire).

Legal Structure

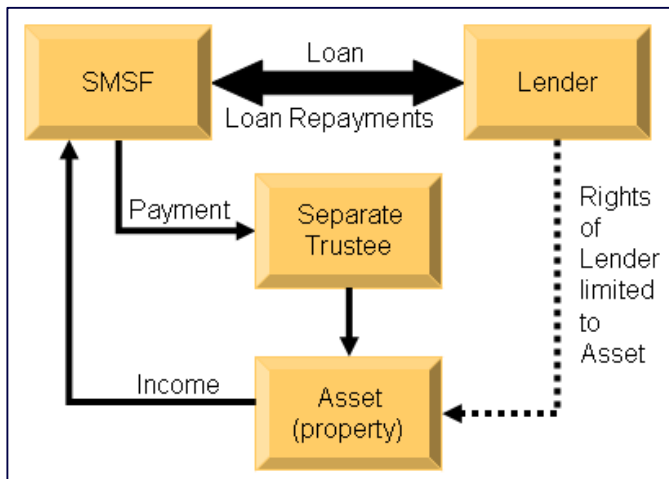
- The borrower must be the SMSF
- The asset must be an asset that the SMSF Trustee is allowed to acquire by law
- The Mortgager (and therefore the asset owner) must be a bare trust set up by the Trustees of the SMSF, purely to hold the asset on behalf of the SMSF
- The Lender cannot have any recourse to the SMSF
- The Lender can have (if it so desires) recourse to any individual, i.e. the beneficiaries can be made to guarantee the loan
- The Lender can provide whatever gearing (LVR) it deems fit

Some Lending requirements:

- Serviceability must be proven, preferably from the property, however consideration may be given to income from the beneficiaries
- Some lenders are offering interest-only rate facilities
- Loan to Value Ratios (LVR's) will vary, but 60% is most common
- Indicative interest rate is currently around 10%
- Some lenders would prefer THEIR legal team to review the loan, bare trust and SMSF, whilst others will allow a signoff by the SMSF Fund Auditor

Should you have a SMSF and wish to explore the lending options, or are thinking about setting up a SMSF please call us on 03 9510 0788 and we will be more than happy to assist you.

The purchase process



Market Watch

Indicative interest rates – as at 03/09/2008

Basic variable loan 8.65%
- loans over \$50,000
(Comparison rate 8.87%)

Professional Package
Standard Variable Rate 8.63%
(Loans over \$250,000)

Professional Package
3 Year Fixed Rate 8.54%
(Loans over \$150,000)

Professional Package
5 Year Fixed Rate 8.54%
(Loans over \$150,000)

(Comparison Rates do not apply to Professional Package loans)

Wills And Estate Planning

Superannuation: The Correct Structure

The “simpler super” revolution has made superannuation a good way to invest and minimise tax – but as usual the prudent investor will always seek good advice.

For instance, the new taxing rules for super can create a defacto death tax. And people who assume that super assets are covered by a Will need to think again.

Super has always been an issue for estate planning. Now it is huge because the rules have changed and money has flooded into super.

Australians have about \$1.2 trillion invested in super, making it a clear second to real estate as an individual's main form of personal wealth. But many will need to act to ensure it is not eroded by creditors, family claims or unanticipated tax bills because of recent rule changes.

The defacto death tax issue arises because money withdrawn from super during the life of a person over 60 is now tax free. But after death a specific part of the money may be subject to an additional 16.5% tax charge.

Traditionally, estate planning focused on the Will as the means of setting out a person's wishes about where their assets are to go and who should control the estate.

A Will can be relatively simple for some individuals, but not so for others. An individual may own valuable assets, have complex business arrangements or personal family issues (such as a former spouse or disgruntled relatives).

Alternatively, their chosen beneficiaries may have such issues. But Wills only deal with personal assets, not assets owned by a trust company or super fund that the deceased controlled.

For instance, an account balance in a super fund (notionally belonging to a member) is not “owned” by the relevant member of the fund. So the balance is not automatically part of the estate or covered by the member's Will.

The concessionary tax rates that super funds and their members enjoyed in the past were capped by “reasonable benefits limits” (RBL's). This discouraged an individual from accumulating large account balances with deductible contributions.

Also, the super rules effectively required account balances to be cashed in over time or by a certain age. Accordingly, when an individual died he or she may not have much of a balance left in their super account.

This was especially so if a pension was paid to a widow or widower, after the first spouse's death.

The “simpler” super reforms have changed all this. RBL's have been abolished along with the compulsory cashing rules. It is now possible to accumulate substantial wealth in super, and leave it there until a member dies.

Other changes also make it highly desirable to accumulate wealth in super.

Where these funds go when a member dies is not legally directed by the terms of a person's Will. Super funds have their own rules for paying out a deceased member's entitlements.

There are substantial tax benefits to using super while it is in the fund. But once a super fund member dies, the balance enhanced by concessionally taxed income and gains creates a new set of tax problems.

Using super funds, trusts or companies to hold an investment or run a business can help protect assets from creditors and incidentally save many unnecessary tax bills.

However, they also significantly increase the complexity of estate planning, and this applies with “simpler super”.

Off-the-shelf estate planning documents should be avoided or used with extreme care as the standard clauses often do not fit particular cases.

A trust or company or super fund should not be used without understanding how it works and what it means for future succession planning, even if the tax benefits seem attractive.

Protecting the capital so it goes to the right people in appropriate circumstances is always more important than the incidental tax benefits.

Tax benefits should be seen as a bonus outcome, not the main objective of the strategy.

Appropriate structuring can ensure these valuable assets pass to the right people on death.

Wills, super nominations, trust deeds and company constitutions must all “mesh” to ensure that a person's wishes are properly implemented after their death. “Simpler super” has perversely made estate planning infinitely more complex....and essential.

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IMPORTANT INFORMATION

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Update: Lakeside Consultants Email Policy

Dear Clients,

Australia's SPAM act came into effect on 10th April 2004 regulating the sending of email, SMS and other electronic messages of a commercial nature with Australian internet links.

The SPAM Act regulates commercial electronic messages by providing that, subject to limited exceptions, they must not be sent without prior consent of the recipient. (That consent may be express or implied 'reasonably inferred' from the conduct, business and other relationships of the person or organization concerned); must contain a functional unsubscribe facility; and must accurately identify the sender of the message.

PLEASE NOTE: LAKESIDE CONSULTANTS PTY LTD does not send any unsolicited email. We respect your privacy and only use your email address to contact you about products or services that are of interest and value to you.

You are currently listed on our mailing list as a willing recipient. ***If you wish to stop receiving information from LAKESIDE CONSULTANTS PTY LTD, please use the link below to 'Unsubscribe' (remove your name) from this service.*** If you do not reply to this message, your email address will remain active on our mailing list, and this will be taken as implied consent to receive email.

All future emails from LAKESIDE CONSULTANTS PTY LTD will include a functional unsubscribe facility, including email, phone, and fax to allow the communication of your wish to cease receiving correspondence from us. Any request to be removed from our mail list will be acted on within 24 hours of receipt of that advice.

Kind regards,

Ross Hennig

Managing Director

LAKESIDE CONSULTANTS PTY LTD

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Questions or comments?

Please email us at

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please email us at

unsubscribe@lakesideconsultants.com.au