

Issue 18
Dec 2008



To decorate the Christmas tree with Christmas candles is a tradition that dates back to the 16th century – the time when the Christmas tree was first brought into a living room. The candle symbolizes life and joy in a dark time, and is perfect for Christmas

Director's Fore:

Panic, fear, worry and doubt would have plagued the minds of many of you in recent times, AND with just reason. You only have to look at the slide of the DOW and the Australian dollar in the previous weeks to see why.

The Dow Jones Industrial Average dropped from just under 10,900 at the start of October to 7,900 odd before finishing the month at just about 9,000.

This drop to 7,900 points was approximately double that of any other month since November last year. Clearly this shows that panic and fear is at its greatest point so far.

Another important aspect to the Dow chart is the next potential 'support line' which could come in to play at a level of 7,500 points – so hopefully a bottom will start to appear here!!

One thing I have learnt a lot about over the years is TIME and PRICE.

I am sure a lot of you have experienced this before - if a stock rallies to unbelievable levels in a very short time, then one of two things will generally happen, either price catches up and the stock price declines, OR time catches up and the stock starts to trend sideways.

Similarly, when quality stocks fall sharply, generally the price will come back or time will catch up.

With this in mind we could begin to see some good buying opportunities in the not too distant future.

All the best to you and your families for the festive season and for 2009.

Best Wishes
Ross Hennig



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Lakeside Employment Opportunity

We are seeking the services of an Administration/Reception junior. This position would ideally suit an entry-level person, or someone looking to work through their 'gap-year'.

If you know of someone that this role may suit, please ask them to call Gary Kennedy on 9510 0788 or send an application letter and resume to ros@lakesideconsultants.com.au

INSURANCE

Insurance

You think it's been hard watching your investments slide????

Imagine life without your income!!

In uncertain times people often look to cut costs, and you may even be considering forgoing certain insurances.....THINK AGAIN!

In times of such financial uncertainty, protection is vital, to ensure the financial protection of your family, lifestyle and assets.

Don't miss out on a claim

The majority of the policies held by you (our clients) have been recommended due to the quality of the contract, so that the definitions give the insured the best chance to claim.

It was highlighted in an article in our previous newsletter that we constantly review insurance products in an endeavour to offer some of the most attractive contracts to our clients.

In the past four months we had reason to speak with three particular clients and just happened to learn in those conversations that they had experienced circumstances where they were eligible to make an insurance claim, but were not even aware of the fact. The reasons included:

- **Client A** underwent Angioplasty surgery 18 months previously. He assumed his operation was 'only minor surgery' and not claimable under his TRAUMA policy. We investigated with the Claims Department of that particular insurer, on behalf of the client, and were advised that he was able to claim for a partial payment of \$55,000.

- In speaking with **Client B** on other matters, we discovered that she had actually broken her wrist in 2006. She too had forgotten all the terms of her Income Protection policy, and believed because she was not off work more than a few days, that no claim could be made.

Her insured benefit was for \$8,000 per month, and her policy included a FRACTURE BENEFIT, which is equivalent to one month's benefit. She can now claim, even though 2 years later, with provision of the required hospital and surgeon reports.

- **Client C** underwent minor surgery which kept him in hospital for 3 days. Again, as the client thought it was only a minor procedure, and that he was not off work longer than the normal waiting period, he too had forgotten that his Income Protection policy included a benefit for hospital stays (at rate of cover per day) for the time spent in hospital over 72 hours.

So please don't hesitate to call us if you have experienced an accident, illness or hospital stay (72 hours minimum). You MAY be able to make a claim and not realise it.

Insurers are constantly enhancing their insurance products, so it may also be worth reviewing your current policies.

Don't hesitate to call your Lakeside Advisor on 9510 0788 to discuss further.



Interest Rates – Where to now?

Over the past seven years we have seen a steady increase in interest rates in Australia, as our economy has experienced consistent growth. As a result of inflationary pressures, the Reserve Bank of Australia (RBA) increased the cash rate to a high point of 7.25% in March. Lenders, for the most part, increased their rates accordingly, however in January of this year we saw the first of many independent moves made by the 'big four' (ANZ, CBA, NAB, Westpac), to try and combat high costs due to the American crisis.

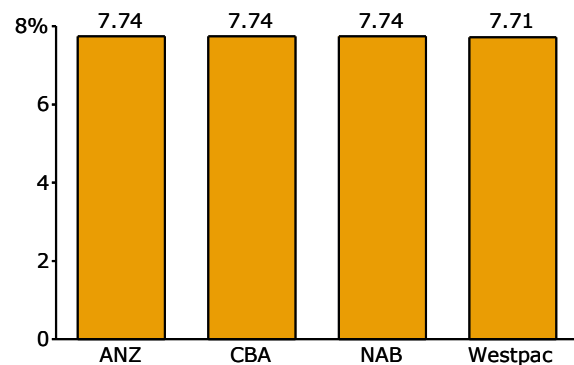
Given the current local and, more severely, the global economic decline, we have seen a dramatic turnaround over the past 3 months. The RBA decreased the official cash rate from 7.25% to 7% in September and then dramatically decreased it again by 1% in October to 6%, with a further reduction of 0.75% in November to 5.25%, with the hope of slowing the economic downturn we're currently experiencing.

With these decreases came pressure from the Government for the banks and other non-bank lenders to follow suit. The decrease in September saw the 'big four' reduce their standard variable rates by 0.25%, however the 1% reduction in October was not as well received, and whilst these banks reduced their rates, it was only by 0.80 basis points (BP) to begin with.

A further decrease of 0.20 - 0.25 BP occurred in the last two weeks of October. November saw the RBA drop the cash rate by 0.75%, and the latest drop of 1 BP in December has seen a further reduction in rates for the 'big four'.

Standard variable rates at 2/12/08 are shown below. According to the RBA, these will reduce during the month of December.

Standard variable rate



The RBA is not alone in this move to decrease the cash rate, with other economies following suit.

The U.S. Federal Reserve decreased its cash rate twice in October, the latest by 50 basis points, making it just 1%!!! The Bank of England has also slashed its cash rate by 150pts in November to 3%, which is the lowest it's been since 1955.

With more rate decreases expected over the coming months, and the pressure for lenders to pass these decreases onto borrowers, it's even more imperative now that you have us review your current lending to ensure that your loan(s) is with a lender that will be able to reduce rates further in the future and not be forced to leave rates as they are, given the high cost of borrowing funds.

Phone us today for a finance review — 9510 0788



Market Watch

Indicative interest rates – as at 2/12/08

Basic variable loan 7.22%
- loans over \$50,000
(Comparison rate 7.24%)

Professional Package
Standard Variable Rate 7.01%
(Loans over \$250,000)

Professional Package
3 Year Fixed Rate 6.69%
(Loans over \$150,000)

(Comparison Rates do not apply to Professional Package loans)

Super Splitting - What is it and why do it?

There are two types of Superannuation contributions – Concessional and Non-Concessional:

Concessional - are tax deductible contributions (typically the 9% SGC and/or Salary Sacrifice amounts), and

Non-Concessional - contributions that are non-deductible (e.g. personal contributions after tax, Government co-contributions).

NOTE - You can ONLY Split Concessional Contributions.

Essentially Superannuation splitting is done for couples when there is a difference in ages.

E.g. - if Sam is 54 and Sally is 51 then Sam is going to reach age 55 and 60 more quickly than Sally.

These ages of 55 and 60 are important when talking about Superannuation as they have some distinct benefits that present at these points.

At 55 people can start to access their Super, even though they may still be working.

From age 55+ you can access between 4 -10% of your Super monies as an income stream.

This income stream will receive a 15% tax rebate – so this is a good thing. Additionally, at 55 your Super fund can start to pay NO Tax on EARNINGS or GAINS within the Fund.

At age 60, it gets even better. There are still potentially no tax on earnings and gains, AND there is now no tax on any income stream – provided you have your Fund set up correctly.

As Sam is going to reach age 55 and 60 more quickly than Sally, where the Superannuation tax concessions are significant, why would they not consider speaking to their Advisor to explore all opportunities for additional savings?



Will Update – December 2008



Superannuation: Who inherits your nest egg?

Unless you act positively, people other than your nearest and dearest could decide after your death how to distribute your superannuation death benefits.

There is a saying that "where there is a Will, there are also relatives", and in these modern times the same can certainly be said for superannuation death benefits.

For most people, superannuation is something put aside during their working lives to live on in retirement, but far too few of us go on to properly consider the question of who else deserves to benefit from the fruits of your labours if you happen to die prematurely.

The sheer volume of money now being put aside into superannuation funds, when considered in the light of family members (often adult children) being unaware until after the death of a parent that a superannuation account exists in the estate, means that there have recently been a growing number of complaints (particularly from those same adult children – who are often non-dependants) about the manner in which death benefits are paid in the absence of direction from the deceased.

Often an adult child from, e.g. a first or prior marriage will say: "Dad or Mum would have wanted all their children to receive equally", but that is not necessarily what the deceased would have wanted, and it is also probably not what a superannuation fund trustee is looking at when a determination is to be made at a time when clear instructions have not been provided by the deceased during their lifetime.

It is fair to say that "superannuation is for those people who had a legal or moral right to look to the deceased for financial support", and it is in this light that it is not always easy for adult children to see that they are not automatically entitled.

How then can one plan one's affairs to reduce the angst of the various family members who are left to administer one's estate?

First, if you sincerely care what happens when you die, you will want to make sure that your hard-earned cash finishes up in the right hands and not in government (tax) coffers. A valid binding nomination can do that. Unfortunately, it may be just the start of the process, because once you have made a nomination you have to review it every three years.

LEGAL

The exceptions to the rule may be those who run their own superannuation fund or those who sign a “non-lapsing” nomination. Most self-managed super fund members can make binding nominations that are perpetual.

With non-lapsing nominations, the devil may be in the detail, e.g. if there is a change in your circumstances, then the nomination may no longer be valid. Given the growing size of people’s retirement savings, it is, perhaps, not too surprising that the number of aspirants (predators?) to the money is also on the rise.

As far as nominations are concerned, there are basically “binding” and “non-binding” forms (although not every member of a superannuation fund has the choice of which type to sign). Superannuation funds are not required to offer a binding nomination, and many instead have what is called a “preferential” or “non-binding” form of nomination which usually leaves it up to the trustees of the relevant superannuation fund to make the decision. Unfortunately, they may not always have your family’s best interests at heart.

If the binding option is available, a person can nominate precisely which of their dependants should receive superannuation benefits when they die, and there is little discretion remaining in the hands of the trustees of the superannuation fund.

The important thing is that the nomination has to comply with the rules set out in superannuation legislation, failing which it may be ineffective altogether (or become non-binding) which means that the trustee of the superannuation fund will still decide who receives the benefits.

There are limited numbers of people who can, not only participate in the distribution of super, but at the same time receive taxation benefits of varying degrees – they include a spouse (including a de facto or ‘partner’), adult or infant children, somebody who is financially dependent or the executor/trustee of your Will. The somewhat limited list of possible beneficiaries is in direct proportion to the ultimate purpose of super (which is to fund one’s retirement).

Difficulties often arise when people nominate their brothers, uncles and other people who are not within the contemplated categories and so make the nomination invalid from the outset.

It should be noted that binding nominations can be particularly useful where the preferred recipient might, in the eyes of the trustee of the superannuation fund, be thought to have a lower priority than other potential recipients, e.g. children from a first marriage of the superannuation fund member, rather than a second spouse.

Most importantly, make sure that you have a full and proper Will which is prepared by a professional who understands the nature and effect of the rules relating to superannuation.

Prudent investors who have money in superannuation funds will update their binding nomination at the same time as they revise their Will, because this sends a clear message to a trustee of a superannuation fund that the investor renewed his views in the context of his Will (which helps to reduce confusion).

In a Will, it is certainly possible to include directions as to the payment of superannuation death benefits, but often people may want to be more strategic about who gets what, and it is often the case that keeping the destination of superannuation death benefit payments outside of a Will can also speed up the ultimate payment of those benefits.

In other words, if superannuation death benefits are left “outside” a Will, and a binding nomination has been completed, if a successful challenge is mounted to distribution provisions specified in the Will, the superannuation payment is not effected.

It should be noted, however, that a binding nomination can be a bit like having a two-edged sword in that if one’s choice of beneficiary becomes inappropriate without the nomination being updated, then the trustee of one’s superannuation fund is stuck with the instructions which he has in writing, e.g. if a spouse is nominated, and that spouse becomes a former spouse by the time one dies, then that spouse may **still** be within the class of people eligible for benefits if new instructions have not been recorded.

As always, there is no substitute for paying close and regular attention to one’s personal and business affairs, and seeking the advice of qualified professionals as often as possible.

For more information contact Suzanne Jones,
Director, Lakeside Legal on
0417 581 086 or email
suzanne@lakesideconsultants.com.au

IMPORTANT INFORMATION

Lakeside Consultants Email Policy

Dear Clients,

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,

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