THE COUNT REPORT

Count

AUSTRALIA'S LARGEST INDEPENDENTLY OWNED NETWORK OF FINANCIAL PLANNING ADVISERS

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WEALTH PROTECTION

Protecting you and your family

Are you prepared for the unexpected? What about your family? A significant change to our health is not something we plan for, and yet it is not as uncommon as you might think. How would you and your family cope with such an event?

Consider new research* which shows that:

- Every day 18 Australian families lose a working age parent.
- Every year more than 235,000 working age parents suffer a serious illness or injury.
- Over 17,000 of those 235,000 parents are forced to stop working, either permanently or for an extended period of time.
- Plus, more than one million working age parents with dependents will be impacted by death, serious accident or illness.

Did you know 95% of families do not have adequate levels of insurance? This means most of them will lose half or more of their income following injury, illness or loss of a parent.

These statistics are startling, and naturally many of us avoid thinking how it applies to us personally. However by ensuring that a proper protection plan is in place, we can rest assured that our loved ones will be provided with very important choices in case of such an event.

The positive news is that many of these significant health events are insurable. While it won't change the fact that the accident or illness happened, an appropriate protection plan can help to make sure that the other important things in your life change as little as possible…things like where you live, where your children go to school, the groceries you buy and the type of car you drive.

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Protecting you and your family continued from page 1

You might think that the insurance you already hold within superannuation is enough to sustain your lifestyle – however you should consider what it is that you most want to protect and what that might cost – you might be surprised with the results! Your Count Adviser can then assist you with determining an appropriate level of cover, and ensuring that the type of cover you have in place is in line with your requirements. For example, many people who already have income protection are surprised to find out that their benefit period is only for two years. Clearly this is just one example of a massive financial shortfall if they couldn't work because of a long term health condition.

What is your back up plan?

No matter what stage in life, a back up plan will help you prepare for the unexpected.

Free and single

No mortgage and no children…

WHAT TO CONSIDER

- Could you rely on parents or friends if you had an accident or you fell ill?
- Would you qualify and could you rely on a Centrelink payment of around $570† per fortnight?
- Medicare and private health insurance don't always cover the full amount of medical bills – how would you pay for the gap?

ASK ABOUT

Protecting your source of income and having access to funds in case of unexpected medical expenses caused by a serious trauma event.

Family matters

Mortgage repayments, children to feed, clothes and school…

WHAT TO CONSIDER

- What's your back up plan if you could no longer work?
- Would you want to sell your house?
- Could you make ends meet on welfare?
- What if the homemaker in your family became ill – who would look after the children and maintain your way of life?
- How would you pay for your children's education?
- How would you set your family back on track?

ASK ABOUT

Putting in place a comprehensive plan that protects what is most important to you. You may be able to fund part of it through super.

Maturing families

Your kids are getting older and your family responsibilities are easing…

WHAT TO CONSIDER

- Would you sell your family home?
- Do you have enough cash to both pay your medical costs and maintain your lifestyle?
- Would your family or friends be able to help?
- What would it take to stay on track for a comfortable retirement?

ASK ABOUT

A protection plan that ensures your home is secured, income is protected, and retirement plans stay on track.

Empty nesters

You've finally got the time (and the money) to think about yourself again…

WHAT TO CONSIDER

- Do you need to have your current plan reviewed?
- Would you stay on track for a comfortable retirement, and continue to be there for your children?
- Have your children ensured they have a back up plan in place? Who or what would they rely on without one?

ASK ABOUT

Insurance premiums can increase as you get older so ensure there is a balance between protection and saving for retirement. Consider whether your children have a back up plan.

We think nothing of insuring our cars, our homes, and our health costs…but too often forget to protect the source of our lifestyle and wealth – ourselves! Without a well-thoughtout back up plan, your many years of hard work are being left to chance. **Talk to your Count Adviser today to find out if your backup plan is adequately protecting yourself and your family.**

*Lifewise/NATSEM Underinsurance Report February 2010. †As at January 2011.

Do you have enough super for a comfortable retirement?

To answer this question we first need to define a "**comfortable retirement**".

This will differ depending on your circumstances, however according to the September 2010 Westpac-AFSA Retirement Standard a comfortable lifestyle enables an older, healthy retiree to be involved in a broad range of leisure and recreational activities and to have a good standard of living through the purchase of such things as; household goods, private health insurance, a reasonable car, good clothes, a range of electronic equipment, and domestic and occasionally international holiday travel. This sounds like a dream retirement, but let's looks at what it actually takes to make this happen.

How much does a comfortable retirement cost?

According to the Westpac-AFSA Standard, a couple wishing to have a comfortable lifestyle in retirement will need income of $53,729 per year. A single person will require income of $39,302 per year.

Will the Age Pension provide a comfortable retirement?

Most people are eligible for at least a part Age Pension. A couple that owns their own home will receive at least a part Age Pension as long as their assets are below $978,000 and their income is below $62,795.20pa. For a single person who owns their home, their assets must be below $659,250 and their income below $41,033.20pa.

However the Age Pension alone will not provide a comfortable retirement. Even if you were eligible for the maximum Age Pension, you would only receive $25,807.60pa for a couple and $17,118.40pa for a single person.

How much superannuation do you need?

This depends on a number of factors including the age you retire, how long you live in retirement, where you invest your retirement funds and whether you are eligible for the Age Pension.

To get an idea of how much you need in superannuation, let's assume that you retire at age 65, you are eligible for a part Age Pension and you live to age 90.

A couple would need approximately $500,000* in superannuation in conjunction with the Age Pension to achieve a comfortable retirement to age 90. A single person would need approximately $400,000*.

Do you have enough super?

It's important to make sure you are on track to a comfortable retirement as early as possible, as most people need to make superannuation contributions in addition to the superannuation guarantee. The later you leave it, the harder it is to increase your superannuation balance as there are caps on superannuation contributions and you miss out on the power of compounding.

Your Count Adviser can help set you on the right path to a comfortable retirement. Talk to them today to discuss your strategy.

*Assumptions – Net income required in retirement indexed at 3%pa, personal assets of $50,000 for couples and $25,000 for singles, earning rate on account based pension of 7.7%. Nil account balance at age 90. All figures correct as at 1 January 2011.

"The Age Pension alone will not provide a comfortable retirement"

Breaking old income habits

Investors tend to think that income is best sourced from cash, rather than shares. Matthew Sherwood, Perpetual Investments Head of Investment Markets Research examines the 2011 investment outlook and discusses whether the environment is more conducive to income growth from cash or shares.

The global picture is improving

There is little doubt that the global economy is on the mend. This improvement is most evident in the US economy, where data has continued to surprise on the upside. Although the US unemployment rate remains stubbornly high relative to the past 20 years, the US manufacturing and services sectors, consumer spending, industrial production, export growth, retail sales, core durable goods and mortgage applications are demonstrating improved strength, which is indicative of a solid recovery brewing. It is likely that with US unemployment still high at 9%, the US Federal Reserve and the US Treasury will do everything in their power to enhance growth further.

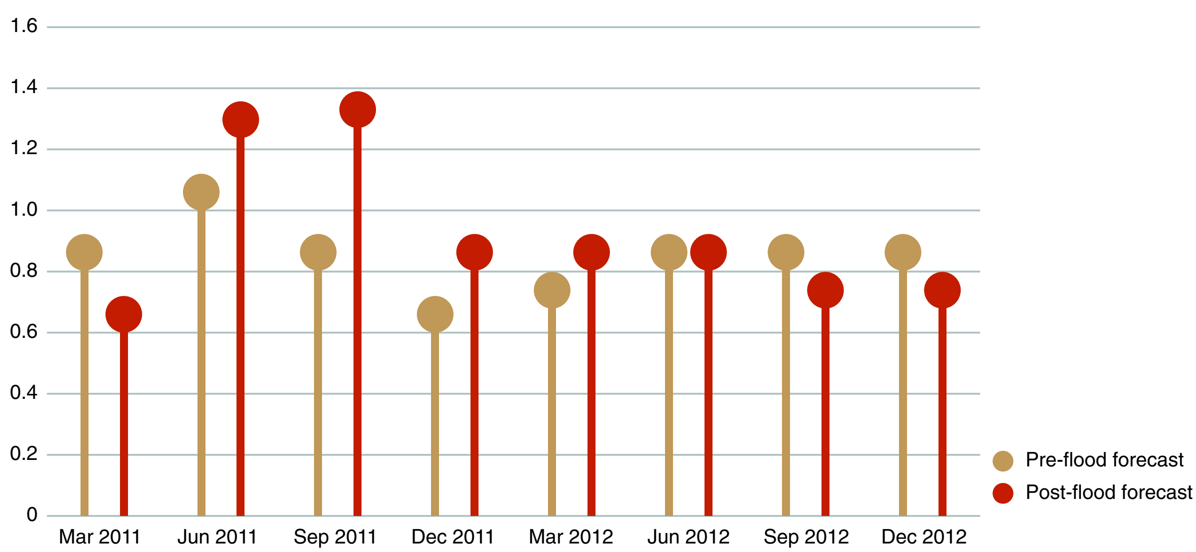
Despite the positive US backdrop, conditions are looking less positive in Europe and Japan. Nevertheless the sheer size of the US economy should provide a platform for a solid rebound in global corporate earnings. While the growth picture is improving across the advanced economies, inflationary pressures in Asia are rising, which has prompted respective central banks and governments to take action to prevent economic over-heating. This suggests 2011 may be the first year in many where returns in advanced economy sharemarkets are higher than those in emerging markets.

The 2011 Australian economic outlook remains solid despite the recent floods

The 2011 Australian economic outlook remains positive, despite the recent disruptive floods over the east of the continent. At this early stage we can only make estimates about the total damage and what will transpire. The full implications will become clear through time. While this catastrophe has had a dramatic impact on thousands of residents and our thoughts are with them, it appears that the floods will negatively impact economic activity in the March quarter 2011 (primarily through lower exports and reduced consumption growth), but should positively impact activity in the following two quarters (through higher exports, infrastructure investment and household consumption – see Chart 1). With this outlook, Australian economic growth is expected to rebound to a pace just under 4% by the end of the 2011, although this growth will be orientated towards the back end of the year.

Chart 1: The floods will dampen growth in Q1 2011, before a subsequent recovery

Australian quarterly economic Growth outlook (%)



As at 20 January 2011

A strong economic outlook should, in turn, provide a solid foundation for increased earnings and dividend growth for share investors, and the contribution from income to investor's total return may be higher than it has been over the past 25 years. When it comes to income, most investors tend to think of cash as a best provider. However, the total annual income from Australian shares since 1975 (including the impact of franking credits) has risen by 1300%, whereas the total income from cash has declined by 45% over the corresponding period. That's the past, where is the highest income growth likely to be found in the current environment?

Where is income likely to be highest in the next five years?

Let's look at a few points. Firstly, the Australian economy is likely to be growing at an above-trend pace post-2011 on the back of booms in mining and housing re-construction. In addition, bulk commodities demand is likely to rise when exports recommence as China is experiencing only a modest cyclical slowdown. Meanwhile, Australia's demographic trends are manageable and the earnings outlook remains intact, which will provide the necessary cashflow for future dividend growth.

In terms of our government, their fiscal position is still expected to return to surplus in 2012/13 and the Federal Government has little net debt and so it can easily fund reconstruction, as required. While household debt is high relative to history and our international peers, this makes monetary policy more powerful and will mean that interest rates do not need to rise as much as in previous cycles to control inflation.

In addition, Australia's export base is far more diverse than just China – Japan will continue to demand our coal and Korea wants more of our iron ore and this will again support exports and earnings growth when the anticipated export recovery begins in H2 2011. Investment is likely to be robust with the LNG sector set to invest more than AUD200 billion in energy projects over the next five years and other mining sectors also expect to initiate new projects. This should boost nominal economic growth above its 20-year average (of 8% per annum) and investors may desire to change their exposure to shares to 'overweight'. Meanwhile, increased demand for workers is expected to increase immigration and the associated population growth should stabilise the outlook for housing, despite some targeted rises in interest rates. Elsewhere, the reconstruction effort up north should prompt the Queensland economy (together with the Western Australian economy) to outperform most of its international peers once the current crisis passes.

Risk attitudes of investors may further improve as structurally higher commodity prices place upward pressure on Australia's terms of trade, which will raise our national income. Needless to say, increased labour demand will prompt the unemployment rate to decline and this should support consumer spending, as the impact of rising variable mortgage rates is partially offset by solid wages growth. Meanwhile, the rising Australian dollar exchange rate will lower import prices and ease inflationary pressures for the RBA.

Meanwhile, the maintenance of house prices at elevated levels and low affordability will mean that the Y-generation will stay at home longer with their parents (and reduce the rate of household formation). In addition, zero-interest rate policy is likely to be maintained in the US and Japan for a considerable time and this is expected to reduce the impetus for the RBA to move higher on the back of global factors.

So there you have it ladies and gentlemen – the **A to Z** of why income growth is likely to be higher in the Australian sharemarket than the Australian cash market over the next five years.

Could your SMSF own your business premises?

If you are a small business owner with a SMSF, there can be significant advantages to holding your business premises within your SMSF.

To start with, there is little chance of being evicted!

Other advantages include:

- Rental income is concessionally taxed – Your business pays the SMSF market rates of rent which are taxed in the SMSF at a maximum of 15%. If the SMSF is in pension phase its taxed at 0%.
- Your business generally receives a tax deduction for the rental expense.
- When you sell the business premises, any capital gain is also concessionally taxed at a maximum of 10%* or if the SMSF is entirely in pension phase, at 0%.
- Business premises are generally classified as 'Business Real Property' and can be acquired from the SMSF members or related parties without contravening the rules.
- Business Real Property may be an effective way of funding your retirement as the investment may provide both capital growth and regular income.

Things to look out for:

- Capital gains tax may be payable if you or your business owns the business premises prior to the transfer. **Your Count Adviser can assist with strategies to minimise this tax.**
- If you are contributing the business premises as a superannuation contribution, make sure you do not breach the contribution caps (the non-concessional cap under the 'bring forward' provisions for those under 65 is up to $450,000 per person).
- If you are commencing a pension in your SMSF make sure you have sufficient income to fund the pension payments.
- The investment must be in line with the investment strategy of the fund.

Your Count Adviser can give you more information about this strategy and whether it is right for you.

*Assumed the property is owned for 12 months prior to sale.

BY BARRY LAMBERT

Chairman's report

What's next?

The Queensland floods in Central Queensland, Toowoomba, Ipswich, Brisbane and the valleys in between, along with the more recent flooding in Victoria and northern NSW, will again ignite the dam debate.

Nothing can be done about Mother Nature dropping rain in larger than normal quantities – flooding rains have long been part of our history and with global warming we get more evaporation and therefore more precipitation (rain and snow). It has been suggested that the Brisbane flood could have been 1-2 metres higher if it weren't for the flood mitigation dam built after the 1974 flood!

In recent years our politicians have done nothing about harvesting our most precious resource (after people) – fresh water, except for building expensive and polluting desalination plants!

In the Brisbane flood it was estimated that at one time more than 1,000 Olympic sized pools of fresh water per second was being turned into salt water. This is duplicated many times over in northern Australia during the wet season.

Dams can also generate pollution-free electricity. Surely water management is more important than the more than $30billion being spent on duplicating existing and effective telephone and internet services (the National Broadband Network) – which could be out of date before it is completed. Fresh water for people, and growing food, and clean electricity will never be out of date.

The other thing I find difficult to appreciate is why many new buildings including high rises, have been built on flood-prone land since the 1974 Brisbane flood.

The Queensland floods have demonstrated one thing – you can't rely on governments to protect you, although they will spend billions of your taxes re-building to cover up their mistakes.

Everyone needs a pool of liquid funds (and not charity) for that rainy day.
Talk to your Count Adviser about your insurances and your 'rainy day' funds.

Barry M Lambert
Executive Chairman
Count Financial Limited

Count Charitable Foundation (CCF)

Count has pledged to donate $50,000 to the Queensland Flood Appeal and our Members around Australia are also donating additional amounts – already approximately $20,000. Since its establishment in 2004, CCF has donated more than $3million to worthwhile charities.

CLIENT CASE STUDY

Name: Jed Eden, 30 - Married with a daughter. Client of The MBA Partnership, Southport QLD.

What sort of wealth protection insurance do you have?

Life and Total & Permanent Disability insurance, and income protection inside superannuation.

Why did you choose to take out insurance?

My wife and I wanted to be able to maintain our quality of life and of course to provide for our daughter should an unfortunate event to occur – which it did.

I was in a horrific motor vehicle accident on Christmas Eve six years ago. I was unable to work for at least three months and had to undertake rehabilitation before being able to work again full time.

If it wasn't for my income protection insurance, we would have lost our home.

What process did you have to undergo to obtain the insurance? How was The MBA Partnership able to help?

We called upon our MBA financial adviser who did all the leg work for me. My adviser contacted the insurer and organised all the forms which he ran through with me and advised what I needed to do on an ongoing basis.

He emphasised that if there was missing information, my claim process may be delayed and with a mortgage and expenses, this was not something I could easily deal with.

Was it easy to make a claim?

Thanks to my MBA adviser, the claim process was very easy and they didn't miss anything on the paperwork!

What would have happened if you didn't have the insurance? How would your lifestyle have been impacted?

If we didn't have the insurance that was recommended to me by my MBA adviser, my wife would have had to return to work while our daughter was quite young and there is a very good chance that we may have lost our home.

Today, thanks to my income protection insurance, my life is back on track and I'm training for another Ironman competition. I tell everyone that the best investment they can make is to insure their income.

The MBA Partnership is a Member of Count Financial Limited. Before you implement any strategies speak to your Count Adviser about advice that suits your personal needs.

"The claim process was very easy"

CONTACT YOUR COUNT ADVISER AT:

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Looking after your financial life