

360° Newsletter

Welcome

Welcome to our Spring newsletter for 2008! In this issue we look at the importance of a Power of Attorney in terms of estate planning and the different options available.

This issue also looks at how you can generate income during your retirement and the best ways of determining where to invest. Keeping your contents safe isn't always easy, here are some useful tips on how to keep your house and contents secure from theft.

Brian Dyson, former CEO of Coca-Cola Enterprises imparts some intuitive insight on discovering the right work life balance. Finally, not ready for that next step into retirement? We present an interesting strategy that will get you thinking outside the box. Enjoy!

Kind regards

the Logiro team

The Importance of a Power of Attorney

When it comes to getting your financial affairs into good shape, a power of attorney is arguably as important as having a valid, up-to-date will. Unfortunately, these two steps, which belong in the realm of estate planning, are often overlooked.

'Estate planning' is the examination of your complete financial position, including such aspects as the ownership structure of your assets, the taxation position of each member of your family, and succession plans for ownership of family businesses. Essentially, estate planning draws up the 'blueprint' for your family and/or business affairs

A power of attorney (referred to as an 'enduring power of attorney') is simply a document which, under certain conditions, authorises someone to carry out prescribed tasks on your behalf – usually to manage your financial affairs. You can arrange a power of attorney if you are going to be away from home for an extended period, such as an overseas posting.

However, one of the most important reasons for arranging a power of attorney is to ensure your affairs will be properly managed if you become ill and either can't make clear decisions, or are physically unable to look after your own finances. The person appointed to manage your affairs has the authority to make all necessary financial transactions on your behalf, such as paying your bills, monitoring and dealing with your assets and investments, even selling your house if necessary.

Obviously, you need to make sure the person or company you select is completely trustworthy, and also competent to carry out your wishes. It may seem logical or reassuring to assign a power of attorney to a family member or close friend, but you can't guarantee they will be available when you need them. One option is to appoint a trustee company, as they are experienced in providing such services, and will always be able to take over your affairs at a moment's notice.

If you've gone to the trouble of planning your personal, family and business finances, and set up a financial plan to help you achieve your financial ambitions and objectives, it makes sense to include the added protection and peace of mind which a power of attorney can provide for you and your family.



Generating Income in Retirement



Picture this scenario: you've just retired, picked up your last pay cheque, when suddenly the realisation hits you - your superannuation and other savings have to finance your entire retirement, your travel plans, that fishing boat – and leave something for emergencies.

What if the money runs out too soon? How can you tell if it's enough to do the things you've been looking forward to, as well as buying the groceries and paying the bills? It's hardly surprising many retirees, faced with exactly this situation, confess to being more than a little nervous about their financial security.

How much is enough?

While it's not easy to work out how much you'll need to live on for the rest of your life, you'll probably need about 60 – 80 per cent of the annual income you earned before retirement, to maintain the same standard of living.

When determining how much you need, you also have to consider:

- the rate of investment return you can reasonably achieve
- the rate of inflation
- the type of lifestyle you'd like to maintain
- the amount of tax you have to pay, and
- other sources of income.

Where to invest?

The most secure investments are generally interest bearing and capital guaranteed – cash or savings accounts, government bonds, savings bonds, and fixed term trusts. However, if you invest your lump sum solely in a conservative spread of investments producing a return of, say, six per cent, you may not earn enough income to satisfy your needs.

Other markets, such as shares or property, shouldn't be ignored – these investments are likely to bring higher long-term returns and greater capital growth. For producing regular income for day to day expenses, you can invest in immediate annuities, allocated pensions, superannuation pensions, unit trusts, and bank, building society or credit union accounts.

If you've just retired, or you're approaching retirement, one of the best decisions you can make is to discuss your plans with a qualified financial adviser, who can help you make sure your retirement dreams become reality. Making your money last longer

If your calculations show you may not be able to finance the lifestyle you'd like, and if continuing full time employment isn't an option, you'll need to make your money last longer.

Here are some suggestions...

- spend less – re-examine your expenditure and look for ways to trim the budget
- pay less tax – your financial planner or accountant can help you arrange your affairs as tax effectively as possible, and make sure you're claiming all possible deductions
- establish whether you have any right to social security entitlements
- achieve better investment returns – monitor your investments (in conjunction with your financial planner) to 'fine tune' your portfolio and produce better returns without sacrificing security, and
- supplement your income with part time work – a few hours' work each week could make a substantial difference to your budget and may not even affect your pension.



*'finding
the right
balance'*

Keeping your contents safe

Where do you hide your valuables?

Research by insurance provider Artog found almost half of all Australians hide their valuables in the bottom of their underwear drawer. The freezer was the place of choice for 11 per cent of people and 20 per cent thought under the bed was a safe place for valuable items.

Even more worrying was the finding that 54 per cent of those surveyed admitted they could easily break into their own house without a key. Perhaps not realising that if they can do it, so could somebody else. NRMA Claims data reveals most burglaries happen when people are away from their home.

Of people who do know their neighbours, 88 per cent said they would take action if they saw someone suspicious on their neighbour's property.

Burglary rates are almost three times higher in Australia's cities than in country areas and the research found that around a fifth of city dwellers surveyed did not know their neighbours. Surprisingly the percentage of people who didn't know their neighbours was higher among people living in close proximity to their neighbours such as flats or apartments, and those aged between 25 and 34, groups who also experience particularly high rates of burglaries.

Here are some useful tips to help keep your property secure:

- lock the house every time you go out;
- don't leave packaging for expensive items in view (e.g. in the driveway waiting for garbage collection);
- keep your home looking lived in when you're not there - open blinds,
- use timer switches on lights and have your mail collected;
- never leave a message on your answering machine saying you are not home;
- mark your driver's license number and the state in which you live on the back of all electronic valuables;
- will steal a vehicle if the opportunity presents; and
- thieves also target gardens, garages and garden sheds for valuable belongings. Items stolen can include lawn mowers, edge trimmers, power tools, bicycles, sporting gear and outdoor furniture.

No matter how vigilant you are it doesn't hurt to have plans in place should something unexpected happen. Not only to protect your home or contents but also your ability to earn an income and your family's ability to continue their lifestyle should anything happen to you.

The present.....

In a university commencement address several years ago, Brian Dyson, then CEO of Coca-Cola Enterprises, spoke of the relation of work to one's other commitments:

"Imagine life as a game in which you are juggling some five balls in the air. You name them - work, family, health, friends and spirit and you're keeping all of these in the air. You will soon understand that work is a rubber ball. If you drop it, it will bounce back. But the other four balls - family, health, friends and spirit are made of glass. If you drop one of these they will be irrevocably scuffed, marked, nicked, damaged or even shattered. They will never be the same.

You must understand that and strive for balance in your life. How? Don't undermine your worth by comparing yourself with others. It is because we are different that each of us is special.

Don't set your goals by what other people deem important. Only you know what is best for you. Don't take for granted the things closest to your heart. Cling to them as you would your life, for without them, life is meaningless.

Don't let your life slip through your fingers by living in the past or for the future. By living your life one day at a time, you live ALL the days of your life.

Don't give up when you still have something to give. Nothing is really over until the moment you stop trying.

Don't be afraid to admit that you are less than perfect. It is this fragile thread that binds us to each other.

Don't be afraid to encounter risks. It is by taking chances that we learn how to be brave.

Don't shut love out of your life by saying it's impossible to find. The quickest way to receive love is to give; the fastest way to lose love is to hold it too tightly; and the best way to keep love is to give it wings. Don't run through life so fast that you forget not only where you've been, but also where you are going.

Don't forget that a person's greatest emotional need is to feel appreciated. Don't be afraid to learn. Knowledge is weightless, a treasure you can always carry easily.

Don't use time or words carelessly. Neither can be retrieved. Life is not a race, but a journey to be savored each step of the way. Yesterday is History, Tomorrow is a Mystery and Today is a gift: that's why we call it - The Present".

Brian Dyson, CEO of Coca Cola Enterprises from 1959-1994



Don't want to retire?



The leap from work to retirement means different things to different people. Some can't wait for newfound freedom, others want to gradually ease into it, and some have no wish to leave the workforce at all.

Fortunately, non-commutable allocated pensions (NCAPs) can make the transition to retirement easier for people who have reached preservation age (currently age 55). If you have reached preservation age, you are able to access your super as an income stream without having to retire permanently. Best of all, even if you're not looking to retire, using an NCAP can produce some tax benefits and potentially give your super a boost.

An NCAP can allow you to salary sacrifice a significant proportion of your income into superannuation and to supplement this amount with a regular income stream from an NCAP. An NCAP advantage emerges because of the lower rates of taxation generally applied to superannuation, compared with employment income which is taxed at your marginal tax rate. This advantage is further increased because any investment earnings within an NCAP (ie where super money is now in pension phase) will be tax free. An important feature of an NCAP strategy is that your take-home income can be structured to be exactly the same as was received prior to the strategy.

By beginning an NCAP, Sarah can supplement her income from her current superannuation fund, while sacrificing a substantial pre-tax amount of her income into super. Sarah is surprised at the suggestion; An NCAP strategy can be beneficial for many individuals who have reached 55 years of age. However, the overall benefit will vary, depending on your income and your level of existing superannuation savings. A super boost and tax savings Sarah, aged 55, works as an IT consultant for an international computer software company.

Despite many of her friends readying themselves for retirement, she enjoys her work and has no intention of leaving any time soon. Looking to the long term, Sarah imagines she may retire from full-time work when she turns 65. Currently, she earns \$110,000 per annum and has \$450,000 in her super account.

Sarah's financial adviser suggests she begins salary sacrificing a significant portion of her regular income into superannuation to build the amount of funds available for her retirement, without reducing her take-home income.

How can taking money from super and putting it back again boost the amount in her super?

The tax advantages of an NCAP mean that her investment earnings and growth will be tax-free. In addition, the NCAP income payment is concessional tax, resulting in less personal income tax being paid by Sarah. Using this strategy, Sarah can potentially boost her superannuation by around \$150,000 by the time she is 65.

Assumptions :The projections in this strategy are based on various assumptions, including but not limited to: maximum pension payment = \$45,000 in year 1; salary sacrifice = \$57,392 in year 1; no change in take-home pay before/after strategy; no change in risk profile; estimated investment return (Growth portfolio) = 6.4% pa (super), 7.3% pa (pension); all investment earnings figures are after tax and after fees; no change in Super Guarantee contributions, ie 9% of \$110,000; ongoing administration fees are not included. Note that payment received from an NCAP is eligible for a tax offset of up to 15 per cent if aged 55–59. The payment is tax-free if over age 60.