



Welcome to the June 2010 issue of the Pulse.....

The financial year that was.....

It is clear that the end of the 09/10 financial year will not herald an end to the high levels of volatility seen in share markets around the world. The 10/11 financial year at this very early stage looks as though it will deliver more of the same! However if there is one thing that the past two years has taught us, it is to expect the unexpected!

The challenges which appear to be confronting Europe today may seem insurmountable when the sheer size of the debt involved is considered. It is amazing how easily we humans are conditioned by events around us. It only seems a few years ago when a billion dollars sounded like a lot of money. We now hear Politicians and Journalists talking about hundreds of billions of dollars on a daily basis in the media, and a measly billion dollars sounds like a small number!

The “financial rescue” packages announced around the world over the past 2 years are so large, it almost seems as though many governments have an unlimited supply of money to hand around. Unfortunately they do not, and the volatility we are witnessing now in the share markets, is the realisation from investors that all this borrowed money will need to be paid back at some point (somewhat obvious you might be thinking!). Investors are now beginning to factor into their investment decisions what the longer term implications of repaying this debt is, and what it will mean to different economies around the world. Until this is clearly understood to all concerned, then we can expect the volatility in the share markets to continue.

Sentiment is all important in share markets, and if at all possible investors should attempt to ignore short term noise when making long term investment decisions. Short term sentiment can change very quickly, which makes it a risky thing to base investment decisions on. Europe has experienced many points of crises in its past, and although it may take a while yet this current turmoil too will pass.

Federal Government extends 50% reduction to minimum pension drawdown

The Federal Government has announced on 30 June 2010 that the 50% reduction to the minimum pension payment for Account Based Pensions will continue for the 2010/11 income year.

The Government stated in their announcement that “Extending the drawdown relief for a further year will help retirees to recoup capital losses on their pension portfolios as equity markets recover over time.”

Please note that the 50% reduction only applies to pensions which are account based, that is, Transition to Retirement, Term Allocated and Account Based Pensions.

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In light of this announcement, a viable strategy for those who are over the age of 55 may be to commence a superannuation pension, draw the minimum amount, and enjoy the tax free earnings environment that superannuation income streams enjoy.

The minimum Account Based Pension % for 2010/11 will be:

Age	Drawdown
Under 65	2%
65-74	2.5%
75-79	3%
80-84	3.5%
85-89	4.5%
90-94	5.5%
95+	7%

Funeral Bonds

Although not a topic everyone enjoys talking about, ensuring your funeral arrangements are in order can spare your family members the financial and emotional burden at what would be a very emotional time. A funeral bond provides you with peace of mind that your affairs are in order.

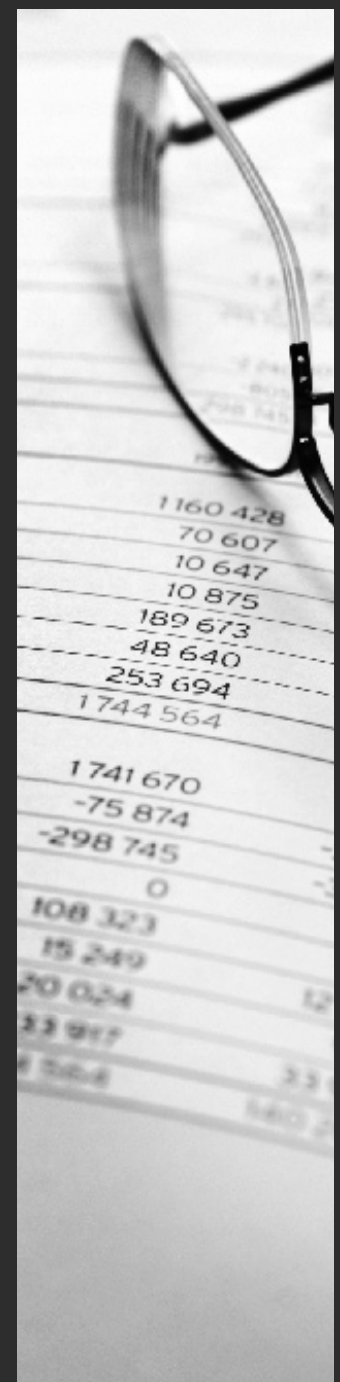
Funeral bonds, sometimes known as funeral investments, are managed investments that earn interest, but have the following features:

- interest added to capital
- investment matures only on death when it is paid to funeral director or estate
- you can invest in your own name or jointly
- a jointly owned bond can only fund one funeral
- you can invest using a lump sum or in instalments

If your funeral bond is assigned to a funeral director, Centrelink will not include any of the amount in the bond provided you have a contract that sets out the services to be undertaken and no more expenses are to be paid.

If however the bond is owned individually, it will not be included so long as it is under the funeral bond allowable limit (currently \$10,750 per person) and you have not also prepaid your funeral expenses. Bonds above the allowable threshold will be counted as a financial asset, and deemed to be providing you an income.

At Health Super Financial Planning we have a funeral bond product available for clients who wish to make financial provision for their funeral.





How has Health Super performed?

Please find below a return comparison between the Health Super Pension investment options and the Median return of all equivalent (based on asset allocation) options as researched by Selecting Super (www.selectingsuper.com.au) up to 31st May 2010:

Option	1 Year	Median Fund	3 Year	Median Fund	5 Year	Median Fund
Long Term Growth	16.2	14.8	-4.0	-6.3	5.6	3.3
Medium Term Growth	14.6	13.2	-1.3	-3.4	5.9	3.9
Balanced	13.4	13.2	1.2	-3.4	5.8	3.9
Short Term Conservative	10.6	10.2	3.4	1.0	5.7	4.8

Health Super places a high priority on preserving the accumulated wealth of members. As indicated above, Health Super has performed strongly during this period of high instability when compared to its peers, especially when looking at the longer term returns.

Superannuation and Death?

A common question posed to financial planners is "What happens to my superannuation when I pass away?" The Law dictates to Superannuation Funds who they can pass benefits to, in what form and what tax is to apply to the benefits.

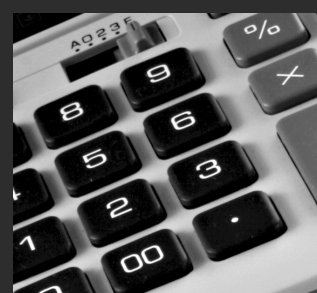
Without you nominating a beneficiary to your superannuation fund, it is left up to the Fund trustees to decide who should receive your money. Therefore it is vital that you make an election to ensure that your funds are paid out according to your wishes.

When ordinary superannuation monies are paid to a financial dependant, such as a spouse or young child, the benefits are paid to them tax free. However when funds are paid to non financial dependants, e.g. adult children, tax of 16.5% is payable on the taxable component of your superannuation benefits (ask your superannuation fund how much of your superannuation benefits are taxable).

If you have a Health Super Account Based or Transition to Retirement Pension, you have two options as to how your benefits are to be distributed:

- Nominate a beneficiary/beneficiaries to receive a lump sum payment.
- Reversionary Beneficiary - elect to have your pension continue to make payments to a spouse.

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If you put in place a reversionary beneficiary, upon your death the beneficiary will have the option to take a lump sum should they desire. This type of nomination is particularly useful as it does not force money out of the concessional taxed superannuation environment, which in some cases could not go back into superannuation due to contribution limits or age restrictions.

Taxation on the taxable component of pension payments made to a reversionary beneficiary are based on:

- If the pension member was above age 60 then beneficiary will receive income tax free.
- If the pension member was below age 60 as is the beneficiary, the income will be taxable less a 15% rebate.
- If the pension member was below age 60, but the beneficiary was above age 60, then the pension payments will be tax free.

You need to seek advice before selecting which nomination to use, as there are Centrelink and taxation consequences that need to be considered.

Finally.....

We hope that you have found the latest edition of our newsletter informative. We invite you to contact one of our financial planners at Health Super Financial Planning on 1300 780 223, or info@hsfp.com.au to discuss pension draw down relief, funeral bonds, death benefit nominations, or any financial planning matter in greater detail.

Regards

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