



## Welcome to the October 2010 issue of the Pulse.....

### Market Update

The Australian Economy continues to perform well with low unemployment, solid economic growth and an appreciating dollar.

However, as always in economics, there are consequences for economic prosperity, and the strength we are enjoying is also pushing up interest rates. The Reserve Bank has held off raising official interest rates in Australia for a number of months as the rate remains at 4.5%, which is in stark contrast to the Federal Reserve rate in the US of 0.25%.

In Australia the All Ordinaries Index has been pushing against a resistance level of around 4700 points for the best part of 2010. Current price to earnings ratios are at historically low levels, which could suggest our share market may be undervalued. However while there is uncertainty surrounding economic conditions in the US, UK and Europe, we can expect our share market to be negatively affected and the volatile market movements to continue.

Internationally, the story is much different with most economies outside of Asia struggling to find their feet, facing high unemployment, low economic growth and with huge debts to repay. Rebuilding the economies of these nations will be a long process, but necessary if we are to see a sustained increase in share market confidence.

### How has Health Super performed?

With all of this in mind, Health Super continues to deliver healthy returns to its members. A survey conducted by Selecting Super/Rainmaker ([www.selectingsuper.com.au](http://www.selectingsuper.com.au)) shows that for the period ended August 31st, the Balanced option for the Health Super Pension Fund was in the top 5 Balanced options rated over one, three, five and seven years.

Please refer to the table below to see how your investment option in Health Super has performed over one, five and seven years, and its relevant ranking in the top 50 funds for that same period:

Option	1 Year	Ranking	5 Year	Ranking	7 Year	Ranking
Long Term Growth	6.2	16	4.3	11	7.7	7
Medium Term Growth	7.8	9	5	7	7.8	3
Balanced	8.9	5	5.3	4	7.5	4
Short Term Conservative	8.6	10	5.4	14	7	4

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## Centrelink Myths Dispelled

For many people the thought of dealing with Centrelink is something that they fear, concerned that they will be penalised for having saved towards their retirement.

Fortunately this is not the case for the vast majority of people who deal with Centrelink. By seeking some friendly advice from Health Super Financial Planning you can ensure that you are organised and prepared for your visit to Centrelink.

Below is the current thresholds for a homeowner single or couple for both the income and assets test.

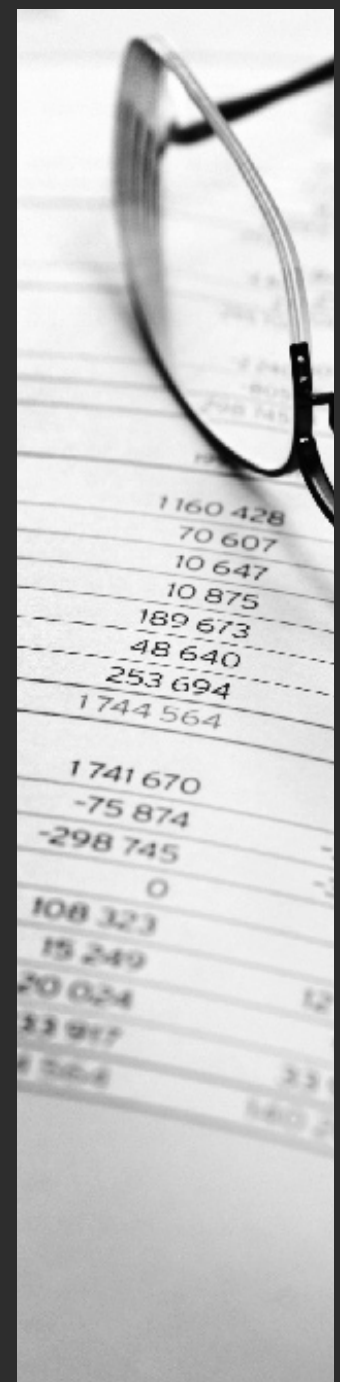
	Single		Couple	
	Lower Threshold	Cut-off Threshold	Lower Threshold	Cut-off Threshold
Income Test (\$ p.a.)	3,796	41,033	6,656	62,795
Asset Test (\$)	181,750	659,250	258,000	978,000

We have sought to correct some of the mistruths in a couple of Age Pension examples below.

1. *"I or my spouse work so I cannot claim the age pension"*. This is untrue. Your assessment is based on the income and asset test, but as long as your overall income is below the cut-off limits, then you can qualify. In fact, if you or your spouse are of age pension age and working, 50% of the first \$500 (up to \$250) earned fortnightly income is discounted, this is called the "Pensioner Work Bonus"
2. *"If I gift money to my children I will be penalised"*  
Untrue, pensioners are allowed to gift up to \$10,000 p.a. or \$30,000 over a five year period. Amounts gifted above these limits will not reduce your pension, but will continue to be counted as assets you have for a further five years, therefore your pension would remain the same.
3. *"I need to go to Centrelink before seeing a financial planner."*  
Seeing a financial planner before going to Centrelink could result in you qualifying for a higher benefit. There are ways to increase Centrelink eligibility such as using superannuation pensions and certain investment structures.

We recommend that you approach Centrelink four weeks before your retirement, therefore you should see a financial planner a few weeks before the Centrelink visit.

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## Super Check up for Women

We believe having a regular financial check up is important for anyone. If you are female we think this super important. In fact I urge you to take some time out of your busy life to think about your money. This is crucial when you consider that, on average, women earn less than men, have more time out of the workforce to raise families resulting in less super than men and longer life expectancies.

Let's look at some facts:

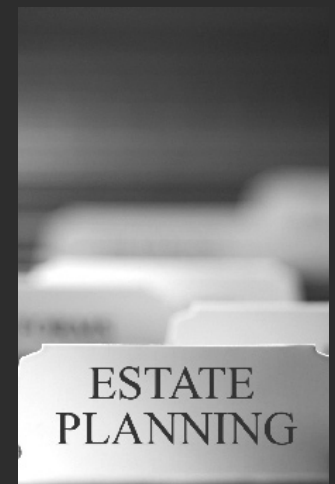
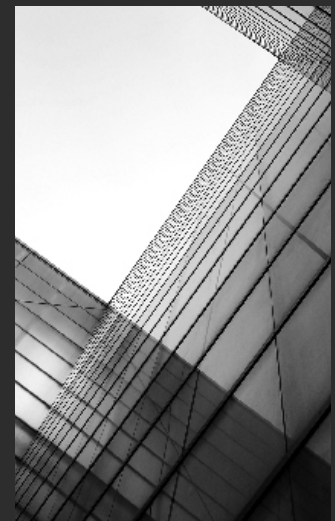
Age	Female Life Expectancy	Male Life Expectancy
60	25.44	21.66
65	21.15	17.70

- A 60 year old female has a life expectancy of 25.44 years (which is 21.66 years for the male counterpart).
- A 65 year old female has a life expectancy of 21.15 years (which is 17.70 years for the male counterpart).
- The average super balance for women aged 60-64 is \$170,000.
- A single person with a 'modest' lifestyle is considered able to live on income of approximately \$21,000 a year.
- A 60 year old drawing a 'modest' income (\$21,000) from the average super balance (\$170,000) can sustain this for 12 years.
- That leaves a shortfall of 13 years to life expectancy.

Let's now look at some solutions. Aside from the 'save more, spend less' mantra, there are certain rules you can take advantage of to boost your super. These include the government co-contribution, spouse contributions and the higher concessional caps that apply to over 50 year olds. The recent budget and tax review have also made recommendations for further super boosting strategies which are awaiting the green light from parliament.

So while it is easy to say "its too late to make a difference" we encourage you to approach planning in small steps, with the first step being to meet with a financial planner.

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# the PULSE

October 2010 Edition



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](mailto:info@hsfp.com.au) to discuss Centrelink assistance, current market conditions, financial planning for women, or any other financial planning matter in greater detail.

Regards,

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