THE COUNT REPORT

Count

AUSTRALIA'S LARGEST INDEPENDENTLY OWNED NETWORK OF FINANCIAL PLANNING ACCOUNTANTS AND ADVISERS

SPRING 2010 ISSUE NO. 101

The Cooper Review

– what it means for you

The Government has released the final report from the Cooper Review – the review into Australia's superannuation system.

The Cooper Review makes 177 recommendations aimed at making superannuation simpler, safer and more efficient. At this stage they are only recommendations, the Government is yet to determine which recommendations it will endorse.

The Cooper Review recommends a 'choice architecture model' which classifies members into three main types – **MySuper, choice and self-managed superannuation funds** – on the basis of whether the member has made a choice about their superannuation and the nature of the choice.

MySuper is aimed at providing a simple, cost-effective product for the vast majority of Australian workers who are invested in the default option in their current superannuation fund. MySuper is designed for members who take no real interest in their superannuation (at least not initially) or who choose to be in a fund where the investment strategy is determined by the trustee. MySuper trustees will be responsible for selecting a single, diversified investment strategy for all members of the fund. Trustee duties will be designed to increase transparency regarding costs and performance, enabling easier product comparison. MySuper funds must provide a retirement income stream.

Choice is aimed at allowing members who want to exercise choice over investment strategies to be able to select an appropriate superannuation fund. These members can select either MySuper or choice funds. Under the new regime, superannuation fund trustees will have a responsibility to apply a greater level of scrutiny to the sorts of products that are offered to super fund members. However members would still bear substantial responsibility for the investment or fund choices they make.

continued page 2 >

Extension of 50% minimum annual payments for account-based pensions

On 30 June 2010 the Government announced it would extend the 50% minimum annual payment for account-based pensions for the 2010/11 financial year.

This means, as in the past two years, the 50% minimum annual payments will continue for account-based, allocated and market-linked pensions.

The table below shows the minimum percentages that now apply:

Age	New 50% minimum percentage
Under 65	2%
65 – 74	2.5%
75 – 79	3%
80 – 84	3.5%
85 – 89	4.5%
90 – 94	5.5%
95 and over	7%

Example

John is age 65 and has an account based pension. His account balance on 1 July 2010 was $300,000.

If John had met with his adviser and elected to receive the minimum annual payment, prior to 1 July 2010 he would have received $15,000 ($300,000 x 5%).

However now that the 50% minimum annual payment applies, the new minimum annual payment is $7,500 ($300,000 x 2.5%).

Contact your Count Adviser for more information on how this could impact on your financial future.

The Cooper Review continued from page 1

Self-managed superannuation funds are designed for those who want to be responsible for both the investment and administration of their superannuation fund. The Cooper Review found that self-managed super funds were largely successful and well-functioning, however they have recommended some tightening of compliance, audit and adviser education standards. The report also recommended some changes to investment rules such as banning the acquisition of collectibles, personal use or in-house assets.

Other recommendations:

- Superstream, which is designed to modernise the back-office of super for the 21st century resulting in substantial fee reductions.
- Advice regarding superannuation should only be provided on request, with costs deducted from a member's account with the member's written agreement.
- Members should only be provided with advice about superannuation under arrangements that require the member to renew the advice service each year on a renewal notice.
- Choice funds should not be able to charge entry fees. Exit fees can only be charged on a cost recovery basis.
- Members will be able to opt-out of Life and TPD cover in MySuper products.
- No up-front or trailing commissions in respect of any insurance offered by any superannuation entity.
- Binding nominations to be invalidated when certain 'life events' occur. Binding nominations to be valid for 5 years.

Bringing up baby

On 17 June, Federal Parliament passed into law Australia's first universal paid parental leave scheme.

The new scheme will begin on 1 January 2011, applying to children born or adopted after this date.

While a small amount of employers already provide paid parental leave, for many working parents, this will be the first time they will receive payment for taking time off work to care for their new baby.

The Scheme at a glance…

- ✓ For parents of a child born or adopted on or after 1 January 2011
- ✓ 18 weeks at minimum wage, currently $570 a week*
- ✓ Primary carer must have been in work for at least 10 of the last 13 months prior to birth/adoption and worked at least 330 hours in that 10 month period (just over one day per week)
- ✓ Income test of $150,000 p.a. for primary carer
- ✓ Covers casual workers, contractors and self-employed
- ✓ Visit www.facs.gov.au for more information

Parents who are not eligible or choose not to receive Paid Parental Leave may be able to receive the existing Baby Bonus or Family Tax Benefit under the usual rules. **Speak to your Count Adviser about the best option for you**.

*Correct as at July 2010.

How does Australia's new scheme compare?

Country	Time	Benefit
Denmark	18 weeks	100% wages
Cuba	18 weeks	100% wages
Congo	15 weeks	100% wages
Algeria	14 weeks	100% wages
Afghanistan	90 days	100% wages
Japan	14 weeks	60%
United Kingdom	14-18 weeks	90% for 6 weeks, flat rate thereafter
Australia	18 weeks	Minimum wage
United States	12 weeks	No benefit

Source: International Labour Organisation

Fast fact

It's estimated that raising two children in Australia from birth through to adulthood, costs approximately $500,000, and can be more for high earners with greater disposable income. **Your Count Adviser can provide you with helpful advice on how to manage the costs involved with raising your family.**

Source: National Centre for Economic Modelling (2007)

Vanessa's story

My name is Vanessa. I am a 38 year old wife and mother of two boys and I have cancer. I am now the family taxi driver, part-time housekeeper and cook. My life has not always been this way; previously I worked full-time as well.

Over the past 10 years I have worked for Coca Cola Amatil and Visy, both large corporate companies that offered a very extensive in-house superannuation plan for employees. While I now realise the full benefit of such an offering, I have to admit that at the time I didn't realise what a benefit this would be to my life.

When I joined Coke in April 2007, I was fortunate to be covered by a superannuation policy that included both income protection and Death / Total Permanent Disability (TPD) insurance. Not long after leaving Visy I received a letter from the super fund offering to change my policy over to a personal fund with an option to maintain my insurances. At this time I was not aware that you were able to hold more than one policy relating to Death / TPD.

A quick call to my trusty financial planner, Cath*, and we discussed the benefits of maintaining the two policies – especially since they did not require the policy to be underwritten, meaning no medical examination was required.

In June 2008, I experienced a severe pain in my back while I was at work. When I walked out the door that day, I walked out on my career and never went back.

I was diagnosed with secondary breast cancer that had spread to my bones, lungs and liver. The diagnosis affected me in a way that I cannot begin to explain. I knew while faced with such an uncertain future, I could not justify the stress and long hours that were expected from the high profile position I held at Coke. Besides the emotional turbulence that I experienced at the time, it opened up another issue for me and my family – financial uncertainty.

Given the prognosis and nature of my illness, my oncologist suggested I investigated accessing any superannuation or life insurance I had.

“When faced with your own mortality, you spend a lot of time thinking about what will happen to your family after you’re gone…”

Unfortunately 2008 was not my first experience with cancer. Originally I was diagnosed with breast cancer in October 2004 at 32 years old. At the time I was working as a Quality Manager for Visy, travelling the country and earning a very healthy salary.

I underwent nine months of treatment including chemotherapy and radiation therapy and I didn’t work at all. Fortunately my Visy superannuation policy contained Income Protection Cover for up to 75% of my income. I was able to rest, recuperate and recover without fear of worrying how we were going to feed our children and pay the mortgage and other bills.

My philosophy on life changed once I was re-diagnosed with cancer. Life became all about making memories.

My financial adviser was only too willing to provide me the advice I needed. She also helped me prepare and submit my claim to the various super funds and insurers. Having an experienced financial planner take care of this saved me the additional trauma of dealing with super and insurance companies.

Being able to access my super and insurance has meant the world of difference to me, my husband Craig and our two sons.

It meant we could pay off our mortgage, so that no matter what happened to me, my family will always have a roof over their heads. It also helped us to buy a car to replace the company car I lost when I no longer worked.

Craig and I took a beautiful trip to Europe – something that we had dreamed of doing when our kids had grown up.

We also took some beautiful family holidays and I was also able to take some great trips with friends that I wouldn’t have been able to do otherwise.

The money also let me send my children on overseas excursions with their school and sporting teams that they otherwise would not have had the opportunity to attend.

We also hosted a wonderful party celebrating our 15th wedding anniversary and renewal of our marriage vows with our special family and friends.

The list could go on and on however, my point is what a difference this money has made to our lives during this very dark time.

When faced with your own mortality, you spend a lot of time thinking about what will happen to your family after you’re gone and how you can ensure the right people receive the benefits of your efforts.

Estate planning, or in other words the preparation of a will and other documents, was something I’d always known existed but not something that I ever got around to doing. I was young and healthy, what was the rush? Right? Wrong!

Having an estate plan ensures that your beneficiaries receive what they are entitled to quickly, while paying the least amount of tax as possible. Having an estate plan also allowed me to structure my assets so that my family will use them in the way that I want.

I have thought a lot about estate planning recently. Having a financial planner meant that I did not have to go in search of the most appropriate people to establish my estate plan. I was aware of what a will was but I was not familiar with other estate planning strategies such as Testamentary Trusts, Enduring Power of Attorney and Enduring Guardianships. My financial planner was able to guide me to a specialist in the area who helped me to satisfy my additional requirements. Now I know that no matter what happens to me in the future, my family will get what they are entitled to.

I know some of the things I have talked about in this article may be a bit confronting for some people but this is my story and this is real life. I always considered myself to be an organised person who had life under control but I guess there are some things in life that you just can’t plan for. I pray the things that have happened to me in my life never happen in yours, but if they do – I hope you are prepared like me!

*Catherine Stewart, of Arnold Stevens Finlay Financial Services Pty Ltd, is an Authorised Representative of Count Financial Limited. Before you implement any strategies speak to your Count Adviser about advice that suits your personal needs.

Your Count Adviser can help you prepare in case you are not able to provide for yourself or your family.

Ask if the following are right for you.

- ✓ Income Protection Insurance
- ✓ Death and Total Permanent Disability Insurance
- ✓ Trauma Insurance
- ✓ Insurance through super
- ✓ Estate planning options

Economic Update

This edition **Matthew Sherwood** of **Perpetual Investments** shares his analysis of the economic outlook for the remainder of 2010.

Investing in turbulent markets

Since February 2010, the Australian sharemarket has experienced increased volatility, sparked by European debt concerns and signs that the global economic recovery is slowing.

Some fear a double-dip recession and others believe the outlook for growth is subdued. Few are saying that the global outlook is strong.

The bear and the bull

The main concern for the market is high government debt. Several countries have announced significant tightening in fiscal policy, but their fragile recovery has raised concerns about potential volatility in the economic outlook.

If a recession was to happen, interest rates in most major economies could not be reduced any further and governments could have issues selling bonds given their existing high debt levels. This suggests that any recession could be severe.

However, global economic activity continues to experience solid growth (albeit below-trend), with growth continuing in global industrial production and export activity in most regions. Investors should be mindful that the global economy was growing at an above-trend pace earlier this year and as such growth moderation is not only likely, but is also desirable.

Is the glass half full or half empty?

Clearly there is some support for both the bull and the bear view of markets. However, it is hard to envisage that the present strength of the recovery will persist given that fiscal stimulus is being wound back in many countries and that households globally continue to reduce their debts and curb spending.

It is equally unlikely (in the absence of a financial crisis) that a prolonged global recession will take hold as the global corporate sector is in good shape. Asian growth remains very strong and interest rates are at historic lows. Economic growth is likely to be subdued in Japan, Europe and the US in the next five years (as the debt excesses of the past 25 years are progressively unwound), but much stronger in Asia, as their industrialisation and urbanisation continues.

Corporate earnings are likely to be impacted

The weak environment in highly-indebted advanced economies will have flow-on effects to corporate earnings growth, indicating that lower returns can be expected in global shares. In contrast, most Asian economies do not have high government or household debt and they continue to experience strong earnings growth. Robust Asian growth should continue to benefit the Australian economy and the earnings growth of domestic companies.

Implications for investors

Considerable market volatility is likely to be evident in the period ahead as global economic data moderates and investors ponder the outlook. The Chinese economic outlook remains very robust with growth seemingly set to ease back to around 9% by the end of 2010, which will support the Australian economy.

Following the recent market decline, value has re-emerged in the Australian sharemarket with opportunity to acquire selective quality companies at more attractive prices.

Earnings risks are still present given the fragile global climate, however there is still long-term rationale for remaining in shares as earnings growth remains positive, interest rates are historically low and valuations are attractive.

We continue to search for companies with strong balance sheets, sound management and a history of earnings growth. These stocks are likely to provide good protection if things take a temporary turn for the worse and deliver upside potential should the economic environment improve.

Matthew Sherwood
Head of Investment Market Research
Perpetual Investments

BARRY MARTIN LAMBERT

Chairman's report

Count turns 30…and still going strong!

On 22 August 2010 Count turns 30.

I established Count while still employed by the CBA with the view of providing Australia, via the accounting profession, with sound financial advice. At that time banks only offered interest-based investments and, products offered by life companies were generally very expensive. The emergence of groups like Count provided competition and lead to the creation of investment products from the non-bank sector.

I am often asked what were the reasons for Count's success – most businesses that start in our sector either fail or have to merge with another business in a relatively short time. There are many obvious reasons, like good people, hard work and luck. Let me explain a few others which I think have contributed to Count's success:

1. Purpose

I had a strong view that financial advice should be provided by professionals (in our case accountants) not conflicted by product ownership. It helps to be driven by a passion.

2. Perseverance

Few achievements in life are easy and business is no different. Once you understand that you only have to be better than your competitor to succeed in business, success is not difficult to achieve – but it does mean sacrifices whilst the business is being built.

3. Leverage

I soon realised that being a one-person business would be very hard work and if I could leverage my efforts via a network and take a small share of the revenue it would result in greater rewards – hence franchising.

4. Focus and business acumen

Being a Banker/Accountant was certainly a big advantage. Too often business people do things that have almost no prospect of financial success. Once they become a success in one area think they can succeed in any business venture and soon get caught up in loss-making ideas that distract them from their core business.

Outlook beyond the election

You will have heard during the campaign how the Government has to borrow $100m per day to finance the huge deficit being incurred to combat the impact of the GFC. Provided the $100m a day is spent wisely and efficiently few of us would be too concerned by that as long as it comes to an end and we pay it back so we are in sound financial position to go into the next global recession.

However, what most people don't understand is the impact of borrowing $100m per day on borrowers. Interest rates are simply the price of money. In boom times the rate rises as more people wish to borrow to invest in their homes, businesses, etc. So with the Government borrowing $100m per day they are competing with businesses and homeowners for funds. This puts upward pressure on interest rates – so unless we go into an economic slowdown you can expect interest rates to stay high and possibly go higher.

I have left out in this simple explanation that we can borrow on a world market and therefore world interest rates are important too. That is normally so, but the recent introduction of the Resources Super Profits Tax – since modified (becoming the Minerals Resources Rent Tax) has nevertheless painted Australia as a political risk and therefore overseas lenders want a higher interest rate when lending to Australians. Furthermore, the rest of the world is still battling the GFC – as evidenced by the recent financial crisis in Greece and hence we have to raise more of our funds from within Australia – hence deposit interest rates have risen.

Every dark cloud has a silver lining – high interest rates will be good for those with deposit funds to invest. However, a rise in interest rates will see a downturn in housing and other investment values, so be very careful with debt and try to reduce it as quickly as possible.

Barry M Lambert
Executive Chairman
Count Financial Limited

NB: Count shareholders – keep a look out over the next couple of months for your opportunity to invest in Countplus.

Giving back… community counts

We're very proud to report that the Count Charitable Foundation donated more than $504,000 to a number of very worthy charities during the 2009/10 financial year.

Recent donations have included:

Bear cottage	$5,000	Fred Hollows Foundation	$10,000
Lifeline	$25,000	Camp Kookaburra	$10,000
The School of St Jude, Tanzania	$50,000	Cure our Kids	$20,000
Oak Enterprises	$10,000	Bone Growth Foundation	$20,000
Second Bite	$10,000	Cancer Council	$7,500
Midnight basketball	$10,000	Motor Neuron Disease	$5,000

Both our Head Office and Franchisees continue to put in an amazing amount of effort to raise money for the CCF – thank you and well done to all those involved during the 2009/10 financial year.

HEAD OFFICE: Level 19, 1 Alfred Street, Sydney NSW 2000. P 1800 026 868. **www.count.com.au**

Count

A gift you don't exchange – a more secure financial future.

Pass on this form to your family and friends to help them better secure their financial future. Give them a FREE, no-obligation introduction to Count's services. This free introduction is at the adviser's expense, and will not include specific financial planning advice or a Statement of Advice (financial plan), but it will help them decide whether the services offered by your Count adviser are right for their needs.

Yes I'd like to arrange a FREE initial discussion on: *(tick all that apply)*

- ☐ Financial planning
- ☐ Debt management
- ☐ Managed funds
- ☐ Investment reviews
- ☐ Superannuation & retirement
- ☐ Wealth protection
- ☐ Home & investment loans*
- ☐ Business loans & leasing*

☐ *Please call me to arrange a convenient time.*

Name: Mr / Mrs / Ms / Miss / Dr

Address:

Postcode

Home phone

Mobile

Work phone

Email

CONTACT YOUR COUNT ADVISER AT:

Pollock Financial Planners

710 High Street Road
Glen Waverley, VIC 3150

Phone: (03) 9886 4822
Fax: (03) 9886 8917

Email: j.pollock@jepollock.com.au
Web: www.finplanners.com.au

Looking after your financial life