

# NEWSLETTER – JUNE 2015



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## *WELCOME !! To our Mid Year Newsletter for 2015.*

For the first part of 2015 we have experienced low interest rates, a falling Australian dollar and a volatile share market. It is imperative to maintain a diversified portfolio to earn attractive returns at your risk level comfort.

The 2015 Federal Budget has announced various proposals which may affect many of our lives. Further details of the 2015 Federal Budget are provided in this newsletter and on our Website. Proposals in the Budget are not law unless they are passed by the Senate. These measures may either be modified, accepted or rejected.

**CIFP will provide strategies for clients affected by any Centrelink changes to maximize their benefits.**

### **CIFP SERVICES TO OUR CLIENTS:**

#### **1. NEW OFFICE COMPLEX TO BE OCCUPIED IN AUGUST 2015.**

- The team will be moving to our new office complex (**Ebony**) on **August 31<sup>st</sup>, 2015**.
- We will be located 100 metres from our existing office at **Level 1, 347 Camberwell Road**. (Beacon Lighting & Legacy Coffee Shop are located on the ground level)
- The new office will provide a **lift** for easier client access.
- We look forward to welcoming you all to our new office from **Monday August 31<sup>st</sup>, 2015**.

#### **2. THE CIFP WEBSITE IS ACTIVE AND UPDATED MONTHLY. [www.cifp.com.au](http://www.cifp.com.au)**

- **The CIFP website is available to you, your family, friends and colleagues.**
- The website provides details of our services, educational material, superannuation & tax updates, Centrelink details, federal budget updates, articles of interest and our newsletters.

#### **3. FURTHER LOWER FEES NEGOTIATED FOR CIFP CLIENTS - WRAP SERVICE:**

- **CIFP** negotiated a further **reduction of fees within** the Wrap Platform from September 2015.

#### **4. ASIC CHANGES FROM JULY 1<sup>st</sup>, 2015:**

- CIFP is required to provide a (**FDS**) Fee Disclosure Statement with your July 2015 review. The FDS statement will list all the services available to you and the charge for these services.
- **LMDA** (Limited Managed Discretionary Authority) will replace the **LOSA** (Limited Online Switching Authority) to allow CIFP to strategically manage your portfolio within your existing risk profile and re-invest term deposits. From July 1<sup>st</sup>, 2015 maturing term deposits will remain in cash unless an LMDA has been signed. LMDA's are being mailed to all clients to sign and return to our office. Please make a time to see us if you have any queries.

## A. SUPERANNUATION STRATEGIES – BEFORE JUNE 30<sup>th</sup> 2015:

### 1. Co-Contribution: (Provides returns of up to 50% on capital invested)

For those with assessable income below \$ 33,516 pa, the ATO will contribute up to \$ 500 into super when you make a personal contribution of up to \$1,000. This represents a **50% return** on your capital. You can receive a partial co-contribution from the ATO up to an assessable income of \$ 48,516 pa.

**To be eligible for this Co-contribution you must:**

- Make a personal contribution to superannuation before June 30<sup>th</sup>, 2015 of up to \$ 1,000.
- Have assessable income from employment or self employment of less than \$ 48,516 pa.
- Be under age 71 years & lodge a tax return for the 2014/2015 financial year.
- Co-Contribution is available to children aged 14 and over working full or part time.

### 2. Spouse Contributions:

A tax rebate of up to \$ 540 is available for a spouse contribution (under age 65) into superannuation. The full rebate is available ( $18\% \times \$ 3,000 = \$ 540$ ) if the assessable income of the spouse receiving the contribution is below \$ 10,800. No rebate if the income of the spouse exceeds \$ 13,800.

### 3. Salary Sacrifice: (A very attractive tax strategy to provide for retirement)

Salary sacrifice into super is very attractive for individuals with a taxable income over \$ 37,000 pa. **Salary sacrifice into super is an attractive investment strategy as it provides annual net tax savings of 20% on incomes over \$ 37,000 pa and tax savings of 25% for incomes over \$ 80,000.**

### 4. Low Income Super refund:

If your taxable income is below \$ 37,000 pa you will receive up to a \$ 500 rebate into your super fund. This represents a refund of the 15% contribution tax paid for employer super contributions.

## B. THE 2015 FEDERAL BUDGET DETAILS AT A GLANCE:

**The following taxation rates from July 1<sup>st</sup>, 2015: (Plus a 2 % Medicare Levy)**

- Tax rate of 0% for income up to \$ 18,200 pa
- Tax rate of 19% for income from \$ 18,200 - \$ 37,000 pa
- Tax rate of 32.50% from \$ 37,000 to \$ 80,000 pa
- Tax rate of 37% from \$ 80,000 to \$ 180,000 pa
- Tax rate of 45% on income above \$ 180,000 pa

**Superannuation Contributions from July 1<sup>st</sup>, 2015.**

- Maximum Tax Deductible contributions will remain at \$ 30,000 pa for those aged under 50.
- Maximum Tax Deductible contributions will remain at \$35,000 pa for those aged over 50.
- Maximum Personal Contributions to super will remain at \$ 180,000 pa.  
**(\$540,000 personal contribution is available for those under age 65 – total of 3 years)**

**Proposed Changes to the Centrelink Assets Test from January 1<sup>st</sup>, 2017.**

#### **CURRENT ASSETS TEST:**

	<b>FULL PENSION</b>	<b>NO PENSION</b>
<b>Single Homeowner:</b>	<b>\$ 202,000</b>	<b>\$ 775,500.</b>
<b>Couple Homeowner:</b>	<b>\$ 286,500</b>	<b>\$1,151,500.</b>
<b>Single Non-Homeowner:</b>	<b>\$ 348,500</b>	<b>\$ 922,000.</b>
<b>Couple Non-Homeowner:</b>	<b>\$ 433,000</b>	<b>\$1,298,000.</b>

#### **PROPOSED ASSETS TEST:**

	<b>FULL PENSION</b>	<b>NO PENSION</b>
<b>Single Homeowner:</b>	<b>\$ 250,000</b>	<b>\$ 547,000.</b>
<b>Couple Homeowner:</b>	<b>\$ 375,000</b>	<b>\$ 823,000.</b>
<b>Single Non-Homeowner:</b>	<b>\$ 450,000</b>	<b>\$ 747,000.</b>
<b>Couple Non-Homeowner:</b>	<b>\$ 575,000</b>	<b>\$1,023,000.</b>

## C. TEN YEARS OF ASSET CLASS RETURNS & VOLATILITY:

During the past decade we have witnessed market volatility within asset classes which are likely to continue.

- From 2005 to 2007 the Australian Share market **increased by 70%**.
- From 2007 to 2009 the Australian Share market **decreased by 50%**.
- From 2009 to 2011 the Australian Share market **increased by 50%**.
- From 2011 to 2013 the Australian Share market **decreased by 20%**.
- From 2013 to 2015 the Australian Share market **increased by 40%**.

The importance of **professional ongoing advice and service** is necessary to provide peace of mind, reduce portfolio volatility and ensure you stay focused to continue striving towards your goals and objectives. **Research shows that a financial planner provides additional value to a client's portfolio by 2 – 3% pa.**

Market Sector Returns: (January 1 <sup>st</sup> , 2015)	1 year % (pa)	3 years % (pa)	5 years % (pa)	10 years % (pa)	Future 10 year estimates
Australian Shares	5.30%	14.70%	6.50%	7.40%	9.10%
International Shares (hedged)	10.00%	17.90%	11.40%	6.30%	8.40%
International Shares (unhedged)	15.00%	24.80%	12.50%	5.50%	9.60%
Australian Bonds	9.80%	6.40%	7.30%	6.50%	2.50%
Cash	2.70%	3.20%	3.80%	4.90%	3.20%
Melbourne Property	16.30%	4.30%	8.20%	5.60%	5.50%
CPI	2.30%	2.40%	2.50%	2.60%	2.50%

### THE AUSTRALIAN SHARE MARKET - 2005 – 2015



## ONGOING ADVICE AND SERVICE TO REDUCE PORTFOLIO VOLATILITY

As interest rates are estimated to remain low during the next 10 years, CIFP will be adding managed funds with attractive income and low volatility. Details will be provided in your July 2015 review.

IML Equity Income:	* income of 6% - 8% pa plus growth of 2% - 4% pa with low volatility.
LM Real Income:	* income of 5% - 7% pa plus growth of 3% - 5% pa with low volatility.
Wealth Defender Equity:	* income of 4% - 6% pa plus growth of 4% - 6% pa with low volatility.
Sanlam Managed Risk:	* income of 4% - 6% pa plus growth of 4% - 6% pa with low volatility.

**CIFP has developed savings plans with attractive returns and low volatility as an alternative to low interest accounts. These savings plans are for individuals accumulating funds for future objectives.**

## D. FEATURES OF THE WRAP SERVICE FOR SUPER & INVESTMENT:

### 1. CENTRE IN FINANCIAL PLANNING IS FOCUSED ON CLIENT SERVICE:

- CIF holds its own AFSL licence with over **30 years experience** and no institutional association.
- **CIFP does not charge a financial plan fee (SOA) or an entry fee for the investment of funds.**
- CIFP provides strategic advice to make sure you reach your overall financial goals and objectives.
- Invest in wholesale funds with **lower administration fees of up to 50% for CIFP clients.**
- We manage your investments more effectively to take advantage of market conditions.

### 2. THE WRAP SERVICE IS ATTRACTIVE FOR BOTH SUPER & INVESTMENTS:

- **Wholesale Term Deposit Rates with 7 Australian Banks: (negotiated higher wholesale rates)**
- Access to over 300 Wholesale Managed Funds, Indexed Funds, Australian Shares & ETF's.
- Provide individual 6 monthly portfolio reviews and strategic management with our **LMDA** service.
- Online access to your wrap account for information and balances 24/7.

### 3. CIFP TIPS FOR 2015:

- **Retirees** to consolidate bank accounts/term deposit into a Retirement/Deeming account.  
(Interest is usually **1.75% for the first \$ 48,000 and 3.25% for amounts over \$ 48,000**)
- **Clients with home mortgages** to consolidate bank accounts/term deposit into an offset account.  
(Interest is usually **4.5% - 5.50% pa at call and tax free**)

#### Performance of the Wrap Service – Super & Investment Service: 1 year, 3 years and 5 years to March 31st, 2015

Fund Option	1 year	3 years	5 years
Wrap Service - CIFP Growth (20/80)	+16.50%	+17.80%	+13.50%
Wrap Service - CIFP Balanced Growth (30/70)	+14.00%	+15.80%	+12.30%
Wrap Service - CIFP Balanced (40/60)	+11.50%	+13.40%	+10.80%
Wrap Service - CIFP Moderate (50/50)	+10.60%	+12.10%	+10.00%
Wrap Service - CIFP Conservative (60/40)	+9.60%	+10.60%	+9.10%
Wrap Service - CIFP Stable (70/30)	+8.60%	+9.30%	+8.20%

The Wrap Service is a fully owned subsidiary of the Commonwealth Bank (CFS)

The Wrap Service is available to other family members (children) & friends with low fees and attractive wholesale returns. Phone CIFP - Ph: 9813 5822 for no obligation appointment.

## BEST WISHES FOR 2015 - FROM THE CIFP TEAM

Nicole Hadji

Robert Farchione

Vicki Alateras

Bill Alateras

Helen Pescos

Amelia Alateras