



# Welcome to Newsletter 1, 2010

**We would like to take this opportunity to wish you all a very Happy New Year. We are feeling very positive about the year ahead and hope to see less turbulent times. With this in mind, we have included a market update article which includes the outlook from Dr.Shane Oliver, Chief Economist at AMP Capital.**

We understand that 2008 and 2009 were difficult years for many of clients, particularly those approaching their retirement. In this edition we feature an article on some of the considerations for those approaching their retirements after the GFC.

It is important that you are aware of any changes to legislation affecting your portfolio. Changes to superannuation contribution limits will take effect this year. We have included an article which summarises these changes and what you need to be aware of.

As many of you are already aware, Navigate are involved in various community events throughout the year. We had

a wonderful year in 2009, with a great deal of funds going to local community groups and charities through fundraising efforts. We have included a summary of these events for your information.

Finally, if like us you really enjoyed yourself over the holidays, you may too be in need of a detox. We have included a very simple, no fuss detox that will get you back on track!

As always, if you have any questions relating to the articles or your individual situation, please contact the office to arrange an appointment with your adviser. We are looking forward to working with you again this year!

Kind regards,

**Tony Borg and Harry Moustakas**  
Principals  
Navigate Financial Group



## Market Overview: Australia – again the ‘lucky country’

**At the start of 2009, fear of a complete financial meltdown was rife. There was doubt as to whether the massive and unrelenting stimulus and financial rescue efforts put in place around the world would work, and many were talking of a re-run of the Great Depression. The key message from governments and central banks in most countries was that they would do whatever it took to head off depression and restore asset prices. Budget deficits in some countries were pushed up to 10% of GDP and several central banks moved beyond near zero interest rates to embark on ‘quantitative easing’. And it worked!**

Just when it seemed that all hope was lost, the gloom began to lift. Shares bottomed, credit markets and commodity prices started to rebound,

bank losses started to recede and the ‘green shoots’ of economic recovery started to pop up. Share prices have slipped in recent weeks and some of the gains of 2009 however the outlook for Australia in 2010 compared to many other countries is still positive. We have managed to avoid recession despite widespread fears to the contrary.

Australia is about the only advanced country to have had positive GDP growth over the last year. This can be attributed to solid export demand (especially from China), a sound financial system and the rapid and massive economic stimulus. Australia has yet again proved itself to be the ‘lucky country’.

Taking account of this growth, the Reserve Bank of Australia (RBA) was

one of the first central banks to start raising interest rates in late 2009. However at the RBA’s February 2010 meeting they decided to keep rates on hold.

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No doubt welcome relief for borrowers.

In direct contrast to the doom and gloom of a year ago, the outlook for 2010 is reasonably bright. There will be aftershocks from the global financial crisis – such as volatility in equity markets and constrained bank lending – will

linger. But as 2010 progresses, the global recovery is likely to consolidate and the outlook for the Australian economy is positive.

SOURCE: *Oliver's Insights* 9/12/09

## Changes to limits for Superannuation Contributions

**Superannuation is an investment designed to provide money for your retirement. Over your working life and without very much conscious effort, your super can grow to be a significant asset. It is often a person's largest asset after their home.**

The rules relating to how much an individual can contribute to superannuation each year have recently changed. It is important you are familiar with these changes as it is very easy (and potentially very costly) to contribute too much to super. Compulsory superannuation contributions from your employer, your own salary sacrifice contributions and other contributions that you claim a tax deduction on are taxed at 15% providing the overall level of contributions does not exceed \$25,000 each financial year (\$50,000 if you will be aged 50+ from 1st July 2011). Any contributions in excess is very broadly taxed at the top marginal rate. There are two types of contributions that can be made to superannuation:

- Concessional contributions, most commonly:
  - o Employer Superannuation Guarantee contributions – minimum 9%
  - o Salary sacrifice contributions
  - o Personal contributions where the individual is eligible to claim a tax deduction

These contributions are taxed in the superannuation fund at 15% and count towards the concessional contributions cap.

- Non-Concessional contributions – these are contributions where the contributor does not claim a tax deduction, most commonly:
  - o Personal contributions where no tax deduction is claimed
  - o Spouse contributions
  - o Government Co-Contribution



These contributions are not taxed in the superannuation fund.

### What are the caps?

#### Concessional Contributions Cap

Each individual is subject to a limit on the amount of concessional contributions that can be made on their behalf **from all sources**. This limit is a flat \$25,000 pa (indexed) for most people, but a special \$50,000pa (not indexed) limit applies to individuals who are over age 50 until 30th June 2012.

Any concessional contributions made in excess of this limit will

- Be taxed at an additional 31.5% (i.e. a total of 46.5% tax will apply to the contribution) and
- Count in full (before the imposition of 46.5% tax) towards the non concessional contribution cap

#### Non Concessional Contributions Cap

Each individual is subject to a limit on the amount of non concessional contributions that can be made. The limit is six times the concessional contributions (indexed) cap. For 2009/10 it is \$150,000.

For an individual aged 64 or less on 1 July in any year they have the ability to 'bring forward' the following two years worth of non-concessional contributions cap (i.e. a maximum of three years worth of contributions – currently \$450,000 – can be made at any one time).

Any non concessional contributions made in excess of this limit will be taxed at a rate of 46.5%.

### What to look out for?

As mentioned previously, if you are to exceed your concessional contribution limit of \$25,000 (or \$50,000 for those over age 50), this will be taxed at an additional 31.5% plus it will count towards the non concessional contributions limit.

This is becoming a problem for individuals who have been making large salary sacrifice contributions in addition to their employer contribution in previous years where the caps were higher. As they are unaware of the reduction in caps, they have not reduced the salary sacrifice arrangement resulting in exceeding the caps.

Article supplied by Amy Cameron – YMD  
[www.ato.gov.au](http://www.ato.gov.au)

# Retirement after GFC

**Perhaps those hardest hit by the Global Financial Crisis (GFC) were those in and approaching their retirement. Of course, we were all affected however those who were planning to retire in the short term have less time in which to recover any losses made in the now recovering market. New research conducted by Investment Trends in early December has revealed a widening gap between Australians' expectations for a comfortable retirement and what their superannuation savings will really deliver.**

The research also revealed that people had responded to this reality by changing their retirement plans either by spending less, working longer or retiring later.



Principal of Investment Trends, Mark Johnston said 56 per cent of survey respondents said recent volatility had had a negative impact on their retirement savings and that, as a result, they planned to delay their retirement by an average of 2.9 years.

He said the research suggested that those within five to 10 years of retirement had been hardest hit and were now planning to delay retirement by an average of 3.7 years.

In a separate article, Mr David Anderson, Mercer's Asia Pacific Outsourcing Business Leader also commented on the expected delays of retirement saying, *"We are not surprised to see that people are planning to delay retirement in the current economic environment, but we think the extent of delay is surprising."*

*"To us, it indicates not just the impact of the GFC on Australians' retirement savings but of potentially inadequate and most probably very late planning to begin with. The results of our survey also highlight the role of superannuation as a long-term savings vehicle and the need for people to contribute more, and earlier, to their superannuation.*

*In terms of government policy, the Investment Trends research*

*carried a strong message, with 45 per cent of respondents feeling the existing 9 per cent superannuation guarantee is not enough."*

## Where to next?

Although the research findings and earnings reports have been bleak, it is important to remain focused on the end-goal and not to make rash decisions and changes to your investment strategy based on panic.

Mr Anderson added that, despite short-term losses, people should remain focussed on the adequacy of their savings in the long term.

*"It's important that people focus on their long-term retirement plan however pessimistic they feel about their current super balance. Anyone considering adjusting that plan or their investment allocation should first talk to their financial adviser,"* he said.

With this in mind your Navigate adviser can assist you by discussing the following in relation to your personal retirement plans and superannuation fund/s:

- Retirement timeframe – is it still realistic?
- Retirement lifestyle expectations– do you need to make changes to your planned retirement lifestyle?
- Possible strategies that can be implemented now to improve your superannuation and therefore your overall retirement fund
- Whether any changes that need to be made to your current investment portfolio to ensure best chance of recovery
- Restructuring of any other assets, investments to make the most of tax savings under superannuation legislation

In summary, we understand that the GFC has caused much anxiety for all clients, particularly those approaching their retirement. As mentioned in our market update as part of this newsletter, the outlook for 2010 is pretty good. It is therefore important that you take time to review your current situation and retirement plans with your Navigate adviser to ensure that you are in the best possible position to meet your retirement goals within your given timeframes.

Sources:  
[www.moneymanagement.com.au](http://www.moneymanagement.com.au)  
[www.mercer.com.au](http://www.mercer.com.au)  
Article compiled by Amy Cameron - YMD

## Navigate's Community Involvement

**At Navigate, one of our key business values is corporate and social responsibility. We have a continuing commitment to contributing to our local community, to support those less fortunate, and to society at large.**

We continue to be one of the major sponsors for the Queenscliff Surf Life Saving Club, which has been providing surf life saving activities since 1924. We sponsor an annual golf

day held by the club which endeavours to raise in excess of \$20,000. We are very proud that the club has received a new lifesaving boat worth close to \$12,000 which was proudly donated by Navigate.

Another very worthy cause that we support is the Bear Affair. Bear Cottage is the sole children's hospice in New South Wales, providing both respite and palliative care to children

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with life limiting illnesses and their families. Their major annual fundraiser for Bear Cottage was held on 5th September 2009 and raised an amazing \$190,000. Our support means that Bear Cottage can continue to offer the best possible care to the kids and families who rely so heavily on this valuable place of respite and care.

We also sponsored the Might & Power Gala Race Day, raising much needed funds for the spastic centre, in particular essential rural services. The event was also an outstanding success and raised in excess of \$250,000.

Finally, we had fun supporting Movember! Some of us were more successful than others in the moustache growing stakes, however we had a terrific end result raising over \$1200.

Our goal is to continue to support needy causes and give back to our community throughout 2010. We will update you with our chosen charities and organisations and their progress in our future newsletters.

If you would like to help us to support any of the charities listed above, please contact Tanya Pace on 8028 2600 or tanyap@navgroup.com.au or the charity itself directly.

## Detox after the silly season

**FEELING a little bloated from too many New Year's Eve beers? Perhaps that Christmas ham has taken its toll.**



As new year's resolutions are written in diaries across the country, it may not be a bad idea to add detox to the list. But do not go overboard, warns Queensland nutritionist and owner of company Bonne Santé, Marie Wright.

"Some people may think it is a good idea to simply not eat for a couple of days and

that will detox the body," Ms Wright said. "But this is not so. Instead the body will think it's being starved and will slow down into starvation mode.

"This is how the body is tuned to survive and by slowing down it will be using less energy and reserving its energy tanks, that is, fat stored within the body."

Ms Wright said that by not eating as much people were guaranteed to lose weight quickly but only because their metabolism had slowed down and the reverse would happen when they began eating normally again.

Ms Wright believes it is a good idea for people to detox after over-indulging during the festive season but said it must be done sensibly.

She said when people increased their alcohol consumption their bodies could not digest properly and toxins started being stored in the liver, blood and intestines which could lead to bad digestion, poor skin complexion, constipation, tiredness and "foggy brain function".

"If left unchecked all of these symptoms will cause the body to stress and carry excess weight which in turn can lead to heart disease, liver problems, high cholesterol and even diabetes."

### BONNE SANTE'S DO IT YOURSELF - FIVE DETOX STEPS

1. Cut out all processed foods such as white bread, pasta, sugar and cereals
2. Eat more natural foods including fresh fruit and vegies
3. Switch the alcohol and caffeine for herbal teas
4. Cut down on dairy
5. Drink at least two litres of water a day

Source:  
'Detox After The Silly Season' - Fraser Coast Chronicle - Jennifer Chapman  
(2nd January 2010)



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