

# HARMERS

*Workplace Lawyers*

HORIZON  
WEALTH MANAGEMENT

# General Advice Warning

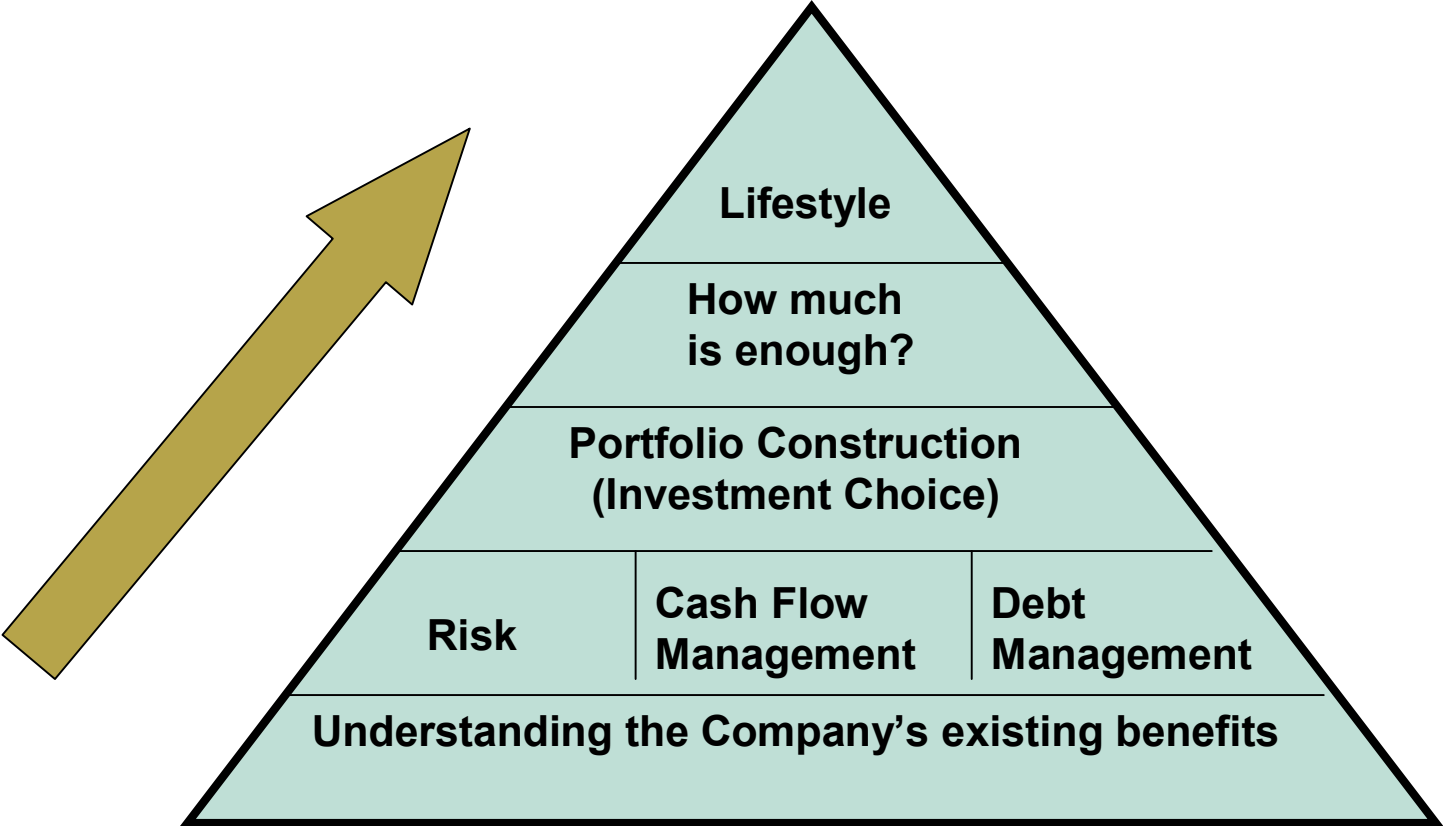
This information was prepared by Horizon Wealth Management. It is of a general nature and does not take into account your personal investment objectives, financial situation or particular needs.

You should assess whether this general advice is appropriate to your individual objectives, financial situation and needs. You can make this assessment yourself or seek the help of a professional financial advisor or taxation professional.

# Agenda

1. Your benefits including Salary Continuance
2. Performance of the Harmers Workplace  
Lawyers Fund
3. Consequences for Investors on the Election of  
the Labour Party
4. Re-inventing Investment Thinking

# Educational seminars for members



# Harmers Workplace Lawyers Benefits

## Size of the Fund

- Fund Size - \$1,200,000
- Default Portfolio – **MLC Horizon 5** – Growth portfolio -Growth assets 85%, interest bearing 15%
- **AAL - \$350,000**
- Insurance Design (Death and TPD) – \$350,000
- Fees are 1.48% gross ( includes a 0.56% rebate)

## Death and TPD

- AAL is \$350,000 for all members. Thus no underwriting required up to this level of cover.
- Members can elect to choose higher level of cover but shall require underwriting.

**This benefit ensures that one of the most important risks ie risk to assets, is appropriately managed**

## Salary Continuance - Features

- The Company pays the premiums on behalf of members
- Payout equals 75% of base salary plus super of 9% (ie 84% of base salary)
- 90 day waiting period
- Benefits to age 65
- AAL is \$84,000 per annum ie \$7,000 per month

**This benefit ensures that one of the most important risks ie risk to income, is appropriately managed**



## Salary Continuance - Examples

- Member earning a base salary of \$80,000

Payout would equate to 75% of \$80,000 = \$60,000 pa plus 9% super or 84% of \$80,000 pa (ie \$5,600 pm) to age 65

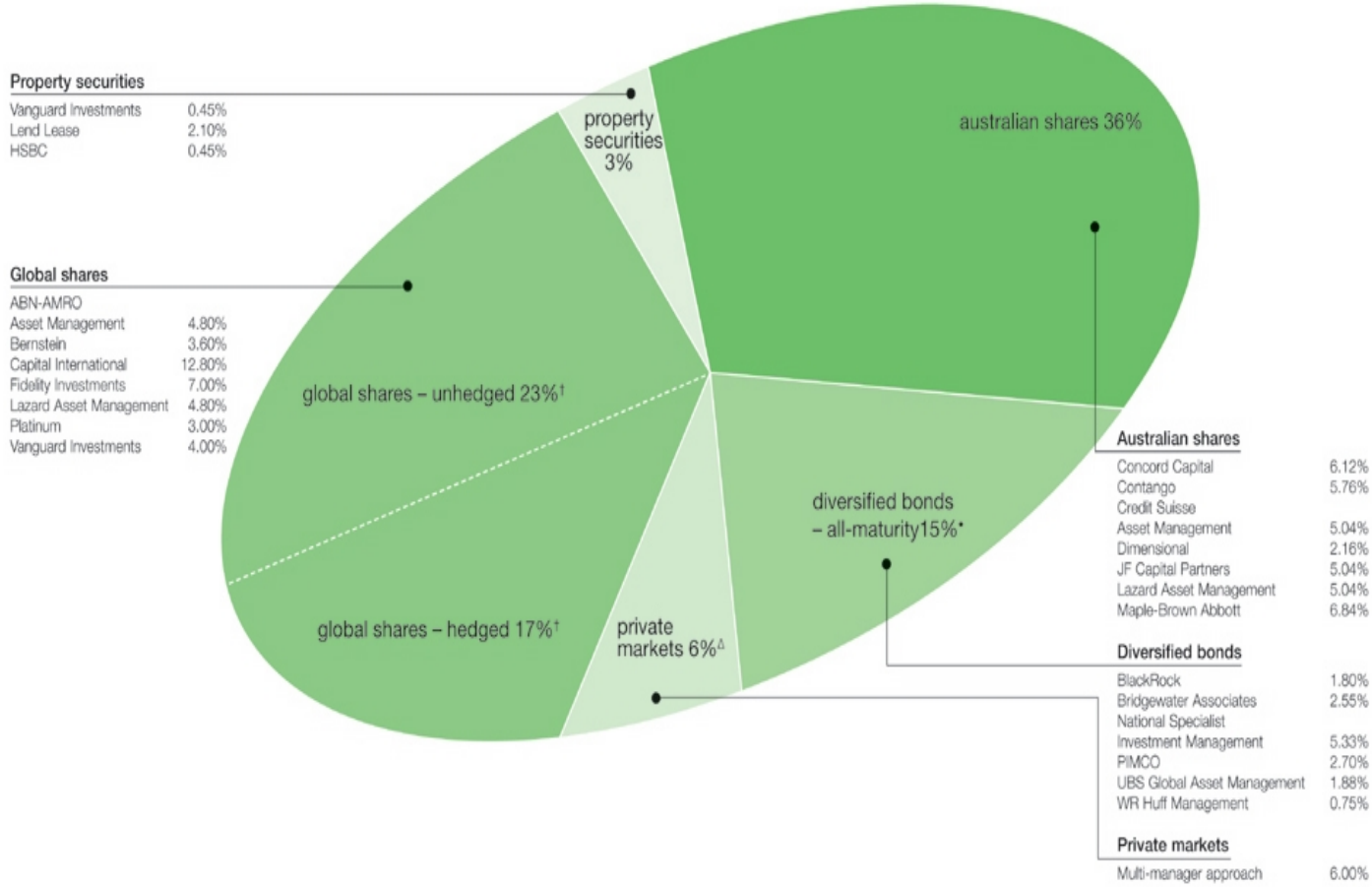
- Member earning a base salary of \$120,000

Payout would equate to 75% of \$120,000 = \$90,000 pa plus 9% super or 84% of \$120,000 pa (\$8,400 pm) to age 65, **if the member had been medically underwritten.**

Alternatively, benefit limited to \$7,000 pm

# Performance of the Harmers Workplace Lawyers Default Fund

# MLC Horizon 5 Growth Portfolio



## Investment Performance 31 October 2007

Investment Funds	Compound Returns % p.a.			
	1 year	3 years	5 years	10 years
MLC Horizon 7 - Accelerated Growth Portfolio <sup>1</sup>	17.9	20.6	16.9	-
MLC Horizon 6 - Share Portfolio <sup>1</sup>	15.4	17.1	14.3	10.1
MLC Horizon 5 - Growth Portfolio <sup>1</sup>	13.1	15.0	12.8	9.0
MLC Horizon 4 - Balanced Portfolio <sup>1</sup>	11.7	13.3	11.7	8.5
MLC Horizon 3 - Conservative Growth Portfolio <sup>1</sup>	9.0	10.4	9.5	-
MLC Horizon 2 - Capital Stable Portfolio <sup>1</sup>	6.0	7.4	7.0	5.9
MLC Horizon 1 - Bond Portfolio <sup>1</sup>	3.5	3.9	4.3	4.5
Global Share Fund	2.2	9.6	6.4	5.1
IncomeBuilder™	16.9	18.0	15.6	12.1
Australian Share Fund	22.9	21.7	18.7	13.2
Property Securities Fund	15.1	17.2	16.0	12.8
MLC-Platinum Global Fund	5.0	11.5	12.5	-
MLC Capital International Global Share Fund	1.6	9.0	5.7	-
MLC-Vanguard Australian Share Index Fund	28.0	23.9	20.1	13.9
Cash Fund <sup>2</sup>	4.6	4.2	3.9	3.8
National Balanced Fund	11.1	12.5	10.6	-
National Capital Stable	7.2	8.1	7.3	-
Colonial First State Diversified Fund <sup>4</sup>	10.1	12.0	9.4	-
Merrill Lynch Balanced Fund <sup>4</sup>	17.6	15.3	12.5	-
BT Active Balanced Fund <sup>4, 6</sup>	9.9	13.5	12.5	8.0
BT Balanced Fund <sup>3</sup>	8.8	11.4	9.6	6.0
INVESCO Growth Fund <sup>2</sup>	9.8	14.1	13.0	8.4
INVESCO Protected Growth Fund <sup>2</sup>	4.7	5.8	5.3	4.4

# Factors affecting Super Balance

- **Amount contributed**
  - 9% contribution
  - 15% contribution tax
  - net **7.65%**, thereafter
  - Death and TPD premiums
  - Net approx 6.95%\*

\*based on insurance rates on \$350k for a 40 year old (\$412 pa)

- **Investment Selection**
  - and by implication investment return

**Research indicates saving rates (contributions) should be approximately 15%.**

# The magic of Super

- Taxed at 15%, as opposed to maximum marginal rate which could be up to 46.5%. Saving of 31.5%.
- Taxed concessional within the Fund pre retirement – Earnings at 15%, CGT at 10%.
- Tax Free on withdrawal for over 60's.
- No tax on capital or earnings within the fund in pension phase.

# Personal vs. Super

Investment Yield	8%
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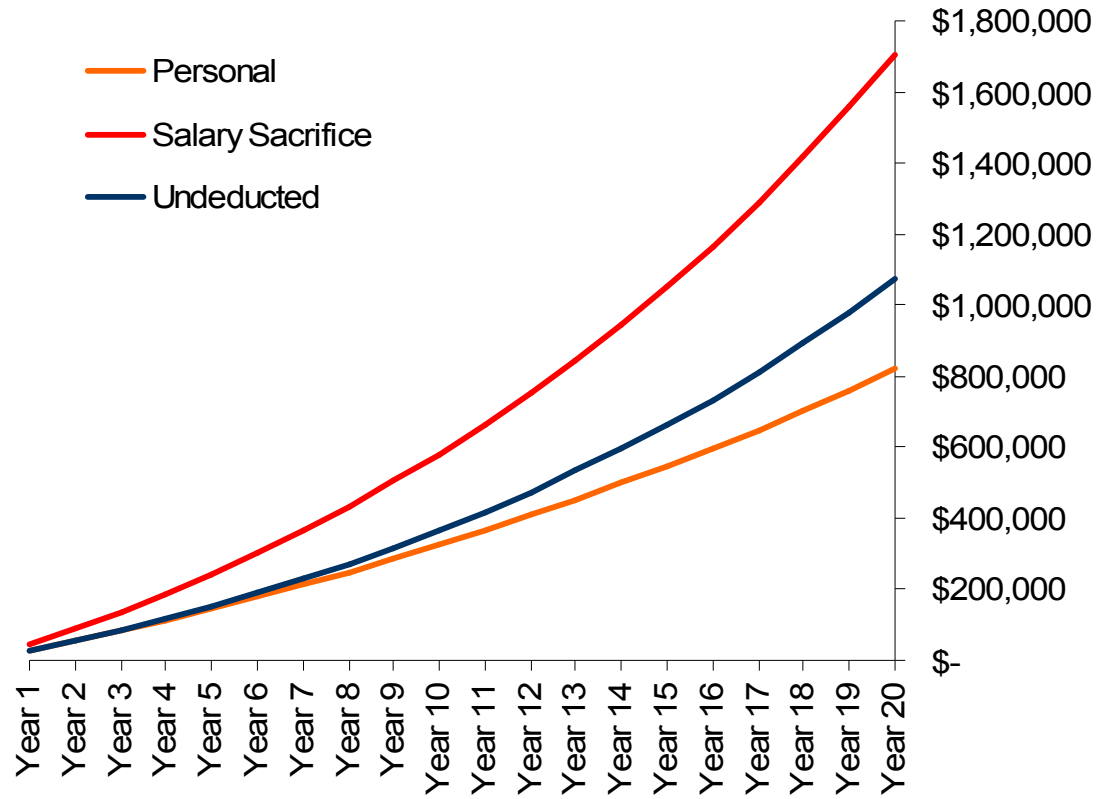
	Personal	Undeducted	Salary Sacrifice
Personal Marginal Tax Rate	46.50%	46.50%	0.00%
Super Contributions Tax			15.00%
Tax on Super Earnings		15.00%	15.00%

Annual Contributions (End of Period)	Personal	Undeducted	Salary Sacrifice
Pre-tax Amount	50,000	50,000	50,000
Income Tax	23,250	23,250	-
Contributions Tax	-	-	7,500
<b>Net Amount</b>	<b>26,750</b>	<b>26,750</b>	<b>42,500</b>

Savings	Personal	Undeducted	Salary Sacrifice
Year 1	26,750	26,750	42,500
Year 2	54,645	55,319	87,890
Year 3	83,734	85,831	136,367
Year 4	114,068	118,417	188,139
Year 5	145,700	153,220	243,433
Year 6	178,686	190,388	302,486
Year 7	213,083	230,085	365,555
Year 8	248,953	272,481	432,913
Year 9	286,358	317,759	504,851
Year 10	325,365	366,117	581,681
Year 11	366,040	417,763	663,736
Year 12	408,457	472,921	751,370
Year 13	452,689	531,829	844,963
Year 14	498,814	594,744	944,920
Year 15	546,913	661,936	1,051,675
Year 16	597,071	733,698	1,165,689
Year 17	649,375	810,340	1,287,455
Year 18	703,919	892,193	1,417,502
Year 19	760,796	979,612	1,556,393
<b>Year 20</b>	<b>820,109</b>	<b>1,072,975</b>	<b>1,704,727</b>

<b>At 7.2%</b>	<b>784,442</b>	<b>996,803</b>	<b>1,583,706</b>
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# Personal vs. Super





# **Consequences for Investors on the Election of the Labour Party**

## The proposed changes to individual Marginal Tax Rates (MTRs) are summarised below

<b>Current</b>	<b>From 1 July 2008</b>	<b>From 1 July 2010</b>	<b>From 1 July 2013</b>
0–6,000 (0%)	0–6,000 (0%)	0–6,000 (0%)	0–6,000 (0%)
6,001–30,000 (15%)	6,001–34,000 (15%)	6,001–37,000 (15%)	6,001–37,000 (15%)
30,001–75,000 (30%)	34,001–80,000 (30%)	37,001–80,000 (30%)	37,001–180,000 (30%)
75,001–150,000 (40%)	80,001–180,000 (40%)	80,001–180,000 (37%)	180,001+ (40%)
150,000+ (45%)	180,001+ (45%)	180,001+ (45%)	
LITO - \$750	LITO - \$1,500	LITO - \$1,500	LITO - \$2,100

## 50% Education Tax Refund

Eligible parents will be able to claim a:

- 50% refund every year for up to \$750 of education expenses for each child attending primary school (maximum \$375 per child, per year).
- 50% refund every year for up to \$1,500 of education expenses for each child attending secondary school (maximum \$750 per child, per year).

**All families who receive Family Tax Benefit (Part A) will be eligible** and can apply through their tax return.

## 50% Child Care Rebate

The child care rebate will increase to 50% (currently 30%) and will cover up to \$7,500 of out-of-pocket expenses per child paid quarterly.

# First Home Owner Savings Account (FHOSA)

- People aged 18 and over will be able to open a FHOSA (a separate superannuation-style account which will operate independently from their existing superannuation fund(s)) as long as they comply with the eligibility criteria for the First Home Owners Grant.
- Accounts will only be accessible four years after establishment and will only be released for an eligible first home purchase (exceptions apply).
- A \$10,000 (indexed) cap will apply to total contributions each year.
- A \$5,000 (indexed) cap will apply to contributions made from pre-tax income each year. The remainder (\$5,000 indexed) may only be used for after-tax contributions from the individual or a third party.

## **Level of tax concession on accounts**

- Withdrawals - tax free if used for an eligible first home purchase
- Contributions:
  - Pre tax income -15 per cent
  - After tax income – not subject to tax
- Earnings - 15 per cent

# Superannuation adequacy and provision

Labour views the 9% SG as insufficient to fund adequate retirement incomes for workers on average incomes and so will work over time **to achieve a 15% contribution level.** Employers, employees and the government will need to contribute in addressing this.

# Re-inventing Investment Thinking

# Typical errors made by the average investor

- People trade too much. This is due to over confidence. They overestimate their knowledge and the level of their abilities.
- Men are more overconfident than women. (Single men more than married)
- Overconfident investors under diversify (if you know you are right why hedge your bets?)
- On average individual investors lose while institutional investors gain



## Typical errors made by the average investor

- When people succeed they give themselves too much credit for the success. Failures, on the other hand are blamed on others and misfortune.
- Cognitive bias eg illusion of knowledge. As people acquire more information, their confidence in their ability to predict outcomes rises faster than the accuracy of their predictions. They thus confuse skill with luck.
- People think that their personal involvement can favourably influence the outcomes of random events.

Brad Barber (Prof of Finance at University of California)

“To be a successful investor over a lifetime does not require a stratospheric IQ, unusual insights or inside information. What’s needed is a sound intellectual framework for making decisions and the ability to **prevent your emotions** from corroding that framework”

Warren Buffett

# Unclaimed super

Could this be you?

- 1 in 3 workers have failed to claim their super
- there are over 5 million lost super accounts
- with more than \$8 billion dollars of unclaimed super

Find your lost super?

Free Search with the ATO Lost Member Register

Phone: 132 865

Online: [www.ato.gov.au/superseeker](http://www.ato.gov.au/superseeker)

## What does Horizon do for its clients

- Horizon Wealth Management is an **independently owned** financial advisory firm.
- Horizon Wealth Management is in the business of assisting individuals in the efficient management of their personal wealth, helping them to **become financially independent.**

**“How successfully you invest your current income and assets.... will determine your family’s long term financial well being.”**

## What does Horizon do for its clients

- We **help** our clients create wealth so that they become **financially independent**.
- We **help** our clients make personal financial decisions within an intellectually robust **framework**.
- We **solve** their financial concerns, **simplify** their lives and **save them** time.
- We assist our clients in making **sound** financial decisions so that they **avoid costly mistakes**.

## What are the components to consider when building a financial plan

1. Asset Ownership – Trusts, Super etc
2. Taxation - Minimise
3. Cash Flow - Maximise
4. Investment strategy
5. Wealth Protection – personal and business

# Where to go for information & help

→ Adviser Information: Brian May

Email: [brianm@horizonwealth.com.au](mailto:brianm@horizonwealth.com.au)

Telephone: 02 9392 8700

Fax: 02 8221 9784

→ MLC Customer Relations - 132 652

8am to 6.30pm (AEST) Monday - Friday

MLC Online - [www.mlc.com.au](http://www.mlc.com.au)

## What to remember

- Log into [www.mlc.com.au](http://www.mlc.com.au)
- Review your portfolio
- Nominate your beneficiaries
- Consolidate your superannuation accounts (you may wish to seek advice)

**Take ownership – it's your money**



# Nominating beneficiaries

## Binding versus non-binding nominations

	Binding nomination	Non-binding nomination
Upon Death	Trustee <b>must</b> pay benefits to the person(s) nominated and the proportions nominated	Trustee will have <b>discretion</b> over who will receive the benefits

**Note:** Only certain people can be paid benefits

***For more information, visit [www.mlc.com.au](http://www.mlc.com.au)  
or contact the MasterKey Service centre on 13 22 40***

**Creating wealth is not about competing against someone else or a benchmark, but rather ensuring that over time, your investments outperform the value of your expenses.**

## **Questions and Answers**