

VIEW

Happy New Year



From the Desk

David Murray,
FMD Director & Adviser – Melbourne

2009 reminded us what a roller coaster the stock market can be, and highlighted the danger of conventional thinking.

After the collapse in global markets in November 2008, and the resulting stock market plummet around the world, the consensus in January 2009 was that the worst was behind us. The Global Financial Crisis (GFC) gave us a sharp reminder of conventional thinking, as by early March the market was down a further 25%.

At this point, consensus shifted and there was growing sentiment that we may be entering a long period of stagnation, with economic experts talking about a 1 in 5 chance of a global depression. This was when a coordinated spending stimulus around the world finally had an impact and we began to see signs of an economic recovery. From the bottom in March, the global market is up by 50-65%.

Thus 2009 proved that we should always remember: it's impossible to predict short-term market movements.

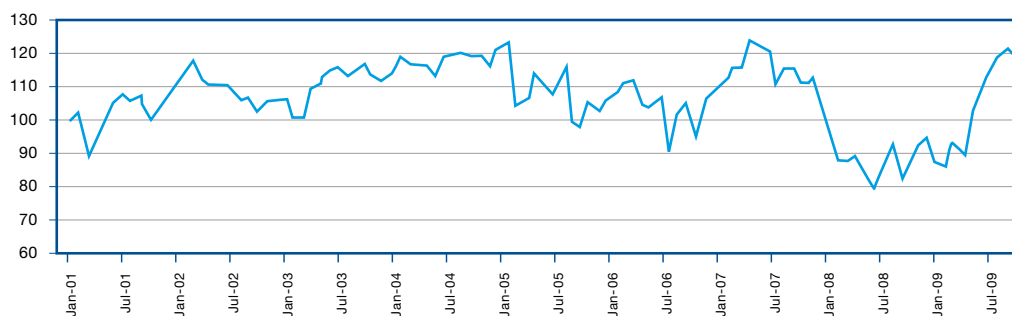
2010

There are many reasons to be optimistic about the economic future in Australia. Our regional position increases demand for our rich supply of resources, our stable banking system and relatively low government debt, frees the economy from many constraints that face other developed countries. Under the surface, drivers of global economic growth include the positive impact of technology, the recovering housing market in the USA, and the incredible energy from the developing world's educated youth and emerging middle class. These should all bode well for Australia.

Recent consumer confidence surveys indicate that Australians feel a lot more confident than they did at this time last year, in fact it remains 18% above the long-term average. Normally, a high level of consumer confidence is followed by a period of high growth in consumer spending. However, beware of conventional thinking!

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Consumer Sentiment Index



Source: Westpac and the Melbourne Institute

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There is no doubt that the GFC had an immediate impact, particularly on those with any form of accumulated debt. Spending patterns did change, and non-housing related spending by consumers was tightened. In the year to September 2009, the level of credit card debt increased by just 2%, the lowest rate of growth in credit card debt for 17 years compared to annual rates of 30% earlier this decade. That has to be a good thing.

The need for many households to re-evaluate spending habits was temporarily delayed as a result of falling interest rates and government stimulus packages. Although Australians had started to increase their savings before the GFC, savings rates are now only a fraction of what they had been for the previous two decades. In June 2009, the percentage of household disposable income was 4%, whereas in the 20 years between 1970 and 1990, it averaged 13%.

Given that 2010 looks like seeing further rises in interest rates, downward pressure on our dollar (coming off mid 90s) and the

end to short-term government spending stimulus packages, the real impact of the 2009 GFC might be felt by many Australian households in 2010. I don't think there was ever a more important time for investors to re-evaluate and understand their cash needs, then discuss with their FMD Adviser how much risk they live with so as to fund those cash needs.

There is every prospect that our current confidence in the economy may well be justified. Those that take this opportunity to plan and, if necessary, adapt to the current conditions should be better placed than those that potentially fall back into the comfort of conventional thinking.

Finally, we at FMD look forward to working with you in 2010 to ensure you have the strategy and portfolio that is right for you. For many of us 2010 comes with a wave of optimism that replaces the trepidation of 12 months ago.....so in many ways Happy New Year.

Sources: Westpac and the Melbourne Institute, Hillross Research & Horseshoof Group

Legislated Changes 2009/2010

The 2009 Federal Budget introduced many proposed changes affecting the financial planning industry. One change that has been legislated and is in place from the 2009/2010 financial year is the reduction in superannuation concessional contribution caps.

Concessional contributions are generally made to superannuation from pre-tax income and include:

- Superannuation Guarantee (SG) contributions;
- Salary sacrifice contributions; and
- Personal contributions where a tax deduction is claimed

The concessional contributions caps have been halved from \$50,000pa to \$25,000pa for each individual or from \$100,000pa to \$50,000pa for people who have reached age 50 (transitional arrangement to cease on 30 June 2012).

The responsibility for remaining under this cap has been placed on the individual and thus the ATO have sent letters to those they have identified who potentially could exceed their cap, informing them of the current legislation. Contributions that exceed the caps are effectively taxed at a rate of 46.5% and possibly higher.

If you are making salary sacrifice contributions to super, you should take time to review your current arrangements, especially if you have received, or expect to receive a pay increase which will increase your employer SG contributions and affect the amount you are able to salary sacrifice to remain within the concessional caps.



There are two significant flow on effects from the reduction in concessional caps summarised previously.

Firstly, wealth accumulators may need to consider alternative tax effective savings strategies to compliment their salary sacrifice arrangements in meeting their financial goals and objectives.

Secondly, pre-retirees will no longer be able to wait until the final years of employment to heavily contribute to superannuation to gain access to the concessional tax environment of superannuation in retirement, including tax free income streams. Hence people are being forced to begin planning earlier for their retirement.

If you feel you require advice on this matter, please contact your FMD Adviser to discuss further.

Daniel Arcadiou, Adviser – Adelaide



**Mike Reynolds,
Director & Adviser – Melbourne**

Self-Managed Superannuation Funds and In Specie Transfers of Commercial Property

Generally, Trustees of Self-Managed Superannuation Funds (SMSFs) are prohibited from acquiring assets from related partners, such as fund members, their families and partners, related companies and trusts. However, there are some exceptions.

Q. What exceptions are available to transfer to our SMSF?

A. The two most likely scenarios are a listed security (such as shares in companies listed on the Australian Stock Exchange).

Or, business real property used exclusively for running a business, for example, a warehouse or office from which you run a business.

Q. If I transfer an asset what are the tax consequences?

A. The transfer of an asset is deemed a disposal, hence the transfer is treated as a sale of the asset and is therefore subject to standard Capital Gains Tax (CGT) rules.

Q. Are there any strategies that can reduce the CGT liability?

A. As is always the case, it will depend on an individual's circumstances, but for some individuals who are self-employed, the transfer of a business real property to a SMSF where a CGT liability is created could potentially be offset by making part of the value of the property transferred a deductible contribution. Normal contribution limits are still taken into consideration, but this may reduce the CGT liability on the transfer.

Alternatively, for those small business people who are eligible, the Small Business CGT Retirement Tax Concessions that are available may also be used to offset the CGT liability.

Clearly, for those individuals who can potentially take advantage of such strategies, discussing in detail with your FMD Adviser or Tax Adviser is a sensible starting point.

Q. Are there any further issues that need to be considered in relation to in specie transfers?

A. In relation to business real property, the other important consideration is Stamp Duty. As Stamp Duty is a state-based tax, a person's liability will be different based on where the asset being transferred is based.

Commercial property being transferred to a SMSF in SA or NSW will have a normal Stamp Duty assessment created. However, for those assets held in VIC, a window of opportunity exists where generally no Stamp Duty is due on an asset being transferred from an individual or trust to a SMSF where no change in beneficial ownership is deemed to have occurred.

Q. How would you summarise the opportunities available to in specie transfer to SMSFs?

A. In simple terms, every circumstance needs to be assessed on a case by case basis. Clearly, in specie transfers and SMSFs are only suitable for some individuals and families. CGT liabilities will arise with such transfers and Stamp Duty in most states on property transfers will be generated. In specie transfers of direct shares will also attract CGT but Stamp Duty is no longer due for such transactions.

The first step, if you believe your circumstances could take advantage of these strategies, is to talk with your FMD Adviser or Tax Adviser.

Annual Client Briefing 2009

The 2009 client briefings were held in November again and were well received by all who attended – over 300 this year between VIC SA & QLD. It's a great chance for the FMD teams to mingle socially with a large number of our clients and it received very positive feedback.

It gave a chance to hear words of wisdom from a top notch economist with an honest and frank presentation from Brian Thomas, Head of Retail Funds Management, Perennial Investment Partners Limited, sharing the personal lessons he had learned from the GFC. Rest assured he lost money like the rest of us!

We are always looking for constructive feedback on how we can improve these events and thank you to those that completed the survey afterwards. Your suggestions will be noted for 2010 which promises to be even bigger and better.

Martin Hawkins, Director & Adviser – Brisbane



FMD in the Community



Thankyou...

2009 was an unsettling year for many, coming to terms with unemployment, higher rent and increasing financial pressure. FMD clients and staff generously donated gifts to the Salvation Army for distribution to children who faced the sad reality of having little or nothing under the Christmas tree.

FMD would like to thank all our clients and staff who took the time to buy a special gift and place it under our Christmas tree. Your generosity helped make many children happy this Christmas.

FMD will continue to support the Salvation Army in 2010 with another FMD Christmas tree appeal.



Pictured above: Martin Oliver, Program Development Coordinator, The Salvation Army and Adam Davenport, Director & Adviser – Melbourne.

Oaks Day at FMD

Despite a chill wind and threatening clouds, the determined FMD team dressed for the occasion and brightened up the office on Oaks Day.



Pictured above: Jolanda Brezovec (General Manager), Maxine Price, Renee Pascall and Cassie Jones

FMD Community Calendar Events For 2010

If you wish to be part of 2010 community activities, please contact your state office.

Mothers Day Classic (National)	9 May 2010
City to Bay Fun Run (Adelaide)	19 September 2010
FMD Christmas Tree Appeal (National)	1- 23 December 2010

Engagement

Congratulations to Aaron Hitch, Adviser – Melbourne and Kirsten Long on their engagement on 5 December 2009.



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FMD Footy Tipping Competition 2010

The FMD footy tipping competition is on again. We will invite you and your family to join our competition before the start of the 2010 premierships season via e-mail.