

## NEWSLETTER SEPTEMBER 2017

### REGULAR REVIEWS

We do request that our clients come in for a review at intervals, particularly if something has changed or it's been a long time since they've seen us. There is no extra cost to this as we already receive a fee, but we might be able to show you a better way to do something or give you a referral for a will or insurance if we notice you need it.

### INCOME PROTECTION MAXIMUM

You are only allowed to cover yourself using income protection insurance up to 75% of your income. This makes sense, otherwise someone could take insurance cover for double their income and then retire with a bad back on twice their old income.

There can be a problem though if your income goes down, say because you are only working 3 days a week instead of 5. Your old income protection insurance is now greater than your income but they will only pay 75% of your new (lower) income if you claim.

You therefore need to reduce your cover, or else you will still pay the old higher premiums for less benefit.

### IMPERSONAL COMPLIANCE

I've always had a fairly laid back relationship with my clients. Because I know they're getting a fair deal and we won't cheat them, or them us, we don't have reams and reams of contractual documents.

Because of increasing compliance requirements on all financial advisers though, we are now required to complete a lot more paperwork.

Please therefore excuse us asking that you fill in more forms and sign more papers. We haven't become mean. It just is what it is.

### CBA ENQUIRY

A number of clients have phoned asking if the problems at Commonwealth Bank impact on their Colonial First State investment, as CBA owns Colonial First State.

Firstly, I have been assured that CBA does not run Colonial First State. There has been no mention of CFS in any of the reported wrongdoings of Commonwealth Financial Planning and CBA's

alleged breaching of anti-money laundering regulations. It just has nothing to do with my clients' money with Colonial First State or the way CFS looks after our money.

Secondly, we have never done any of the adverse things that some Commonwealth Bank Financial Planners are reported to have done. In 31 years, I've not had a single complaint about our conduct. When we make mistakes (as we sometimes do) I make good in full without argument.

Thirdly, this new enquiry is into Commonwealth Bank's alleged breaching of money laundering regulations, which has nothing to do with Colonial First State.

I should say that there is some effect on us, as our share index funds own a portion of CBA shares, so any fall in the CBA share price impacts on our valuations, but the beauty of an index fund is that it is not overweighted to any particular share.

Lastly, CBA is selling its insurance arm Comminsure to AIA. There should however be no change for our clients who have annuities or insurance with them.

Lastly Lastly, CBA have announced that they are considering selling Colonial First State Global Asset Management (CFSGAM). This company is **not** who looks after our money. We use Colonial First State Investment Limited (CFSIL), fully owned by CBA and there is currently no mention of selling or listing CFSIL, for better or for worse.

### DON'T RUN OUT OF MONEY

I've heard people say that they don't mind running out of money when they're old, as they've done their travelling and can live on the age pension. You only live once.

There is some truth in that BUT the more I find out about the aged care system the more I realise that it will pay to have some capital available to pay the Refundable Accommodation Deposit (RAD) for a reasonable aged care facility.

RADs run from about \$300 000 to \$600 000 for a nice facility. If you cannot pay this you can still get in, but the unpaid RAD attracts an interest rate of 5.78%, or \$17 340 per year on \$300 000.



There is also a minimum basic charge of about \$18 000 per year, so total cost of \$35 340 per year.

The age pension will not be enough to pay for this. Better quality facilities will cost even more.

Note: The Refundable Accommodation Deposit is refundable in the event of moving or death, less a relatively small deduction, so the deposit is never lost.

I would therefore encourage clients not to plan to run out of money. You do only live once, but you want the end bit to be nice as well.

### COMPUTER FRAUD

In the good old days thieves were simply shipped off to Australia where, after serving their time, they were given 30 acres to farm near Sydney in order to feed the colony and keep them close and under control. That 30 acres would now be worth hundreds of millions of dollars to their descendants, so the goat they stole would now be worth an absolute fortune.

Today's theft is increasingly electronic and harder to catch. Email is proving a bonanza for the unscrupulous to get money from the unwary.

I'm amazed how sophisticated the email scams have become. They have the correct logo and layout of genuine email. Don't open them if you're not absolutely sure they are genuine, and if still unsure don't click on any link or open any file, particularly a .zip file.

What is for my newsletter is the fact that identity fraud targeting superannuation members is the fastest growing type of fraud in Australia.

There are various methods, but one is to first get access to a person's bank details through normal hacking, then email the adviser or super fund asking them to transfer a large amount into the bank account, then clean out the bank account.

We have tightened up our systems so that our passwords for fund managers and database access are "scrambled" by encryption, so not visible to a hacker, but it is a worry and in future we will require some sort of personal contact such as phone call before we help with withdrawals.

### TIPS:

- Regularly update software and anti-virus protection.
- Don't divulge personal information via email.
- Beware of emails asking for financial information.

- The Australian Tax office will write to you if you owe them money, not phone. If in doubt call the ATO scamline on 1800 008 540.
- Emails purporting to be from your Bank or Telephone provider should also be treated with suspicion.
- Choose strong passwords and change them regularly.
- Don't log into accounts while using public Wi-Fi networks.
- If you're making a large payment to an account based on email conversations (which could have been intercepted, so the bank account is wrong) take the trouble to phone using their website phone number and check it was them that sent the bank account details.

### BOOSTING THE PENSION

Now that the assets test has been made much stricter, here are some relatively easy ways to get a bit more pension if you are being penalised by the assets test.

- Put money into a spouse's super fund if he/she is below the age pension age. Super does not count as an asset until age pension eligibility.
- Make gifts up to \$10 000 per year, limited to \$30 000 total in 5 years. Gifts above this limit are deemed to be assets for 5 years, then are no longer assessed.
- Renovate/extend your home. Your home is not an assessable asset, so it's one way of spending that does not materially decrease your overall wealth.
- Prepay funeral expenses up to \$12 500.

Kind Regards,



**DAVID GOLDSCHMIDT A.C.A.**  
**Director**

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