Print Post Approval PP424022/01054

THE RETIREWELL REPORT

A Newsletter for Clients and Friends of Retirewell Financial Planning Vol. 13 No. 2 Summer 2010

Market Recovery To Resume, With Volatility

What a roller coaster ride the decade of the "noughties" gave us! No decade in the previous 100 years delivered two major global crashes (the dot.com crash and the Global Financial Crisis) within a 9 year period. Many lessons have been learned, sometimes at significant cost. What can we expect going forward, as the world tries to adjust to the aftermath of the GFC?

Historically, market recoveries after a major fall (2007-2008) start with a big bounce in anticipation of recovery (which we saw in 2009) followed by a period of consolidation (2010 – the All Ords in December is still below its level in early January 2010) – see table below.

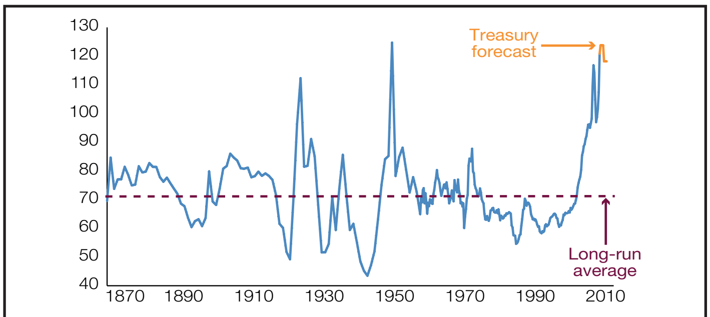
Market	2009	2010 YTD
Australian Shares (S&P/ASX 300 Accum Index)	+37.6%	-1.8%
International Shares (MSCI World ex Aust - in local currency)	+22.5%	+2.5%
US Shares (Dow Jones)	+18.8%	+5.5%
China Shares (Shanghai Composite)	+80%	-13.9%

Looking to 2011

Looking forward, the outlook for the Australian economy is very strong over the next couple of years. Economic growth is expected to be around 4% in 2011 and strengthening further into 2012. Unemployment will continue to decline (driven by demand from the mining sector) and the long awaited investment boom should begin in the second half of 2011. Australia's terms of trade is expected to be around its highest level ever, over 140 years - see chart on right.

It is hard to see these trade trends changing in the near-term, as global commodity producers are struggling to meet growth in demand.

Australia's Terms of Trade (Index)



Source: Macquarie Equities as at 22 November 2010.

Australian shares are still cheap. Price to earnings (PE) multiples are well below long-term averages.

The PE ratio from Australian shares based on one year forward consensus earnings is 12.5 times against a long-term average of 14.6 times.

The Australian corporate sector has put its finances back in order post-GFC and is cashed up. The profit outlook has not been this robust for many years - see chart on Page 3.

This should result in increased merger and acquisition activity, higher dividends and more share buy-backs going forward - all very positive.

Continued on Page 3

"That's it Rudolph.... a little to your left and we got it!"

Retirewell wishes you and your loved ones a happy Christmas and a prosperous 2011. Our office will close on Friday, December 24 and re-open on Tuesday January 4, 2011.

What's Inside…

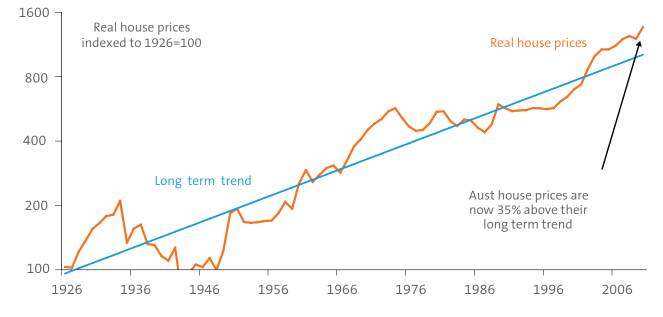
'Bricks and Mortar' or 'House of Cards'?

According to the recent Global Wealth Report published by the Credit Suisse Research Institute, Australians represent 0.4% of the world's population, but we own 3.1% of global wealth. This might sound like great news, however, compared with other developed countries, our wealth is significantly skewed toward residential property, at 64% of total household assets. As such, our wealth is vulnerable to the performance of the housing market, and the question of housing affordability is a crucial one.

Over the last few decades house prices have increased dramatically. Since the mid-1980s the average price of a home has increased from $80,000 to around $500,000. That represents growth of around 7.5% each year, more than twice that of inflation at 3.6%.

House Prices Well Above Their Long-Term Trend

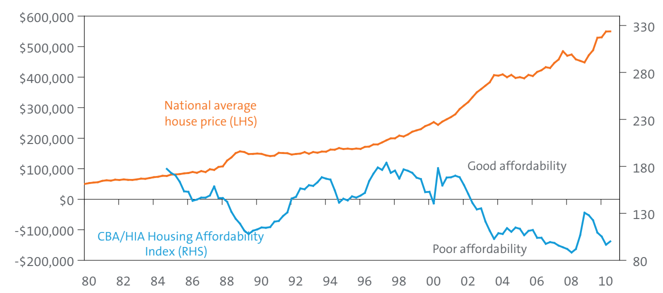
On most measures Australian housing is very expensive. Australian house prices are running at around 35% above their long-term trend (see chart below). According to the OECD, the ratio of house prices to incomes is about 35% above its long-term average and the ratio of house prices to rents is 58% above its long-term average, both of which are at the top end of OECD countries.



Source: ABS, AMP Capital Investors

This is good if you owned property over this period, but there are serious implications for the affordability of housing, particularly for younger generations. Although earnings have increased more than inflation over this period, the price of a home has increased from 3.5 to 7 times the average wage. Put simply, it's twice as hard to buy and pay off a property today.

The graph below shows the decline in housing affordability over the last decade.



Source: Commonwealth Bank/HIA. REIA, AMP Capital Investors

The Australian Dream

The reason often cited for the extraordinary growth in house prices is the concept of the "Australian Dream", that home ownership is ingrained in the Australian psyche. This is true, however, it can't be that simple because this dream has been around since colonisation. Other major recent influences include:

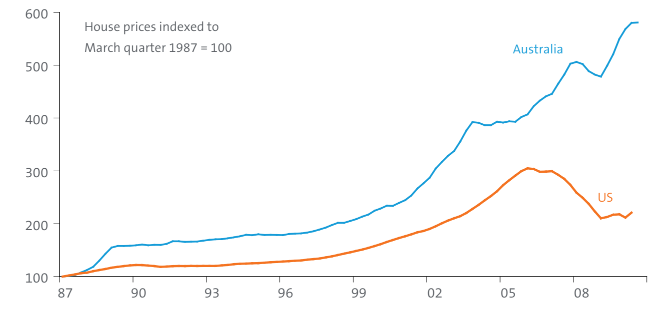
- high population growth due to continued immigration
- historically low inflation and interest rates
- higher aspirations
- much greater availability of credit
- decreasing household size
- favourable tax treatment of homes and investment property

The price of anything is determined by supply and demand. Demand runs at around 180,000 new dwellings each year. Supply since 2005 has averaged around 150,000, resulting in an accumulated shortfall of 200,000 dwellings across the country.

The Law of Mean Reversion

This supply shortfall seems to be the primary reason that Australia remains the only Western country whose housing market has not seen a major decline since the GFC. According to a number of different estimates, house prices sit at anywhere between 20% and 40% above their long-term average.

The law of mean reversion says prices will always (eventually) revert to their long-term mean or average - though prices can stay above or below the long-term trendline for protracted periods of time. Below is a graph which shows the comparative rise in Australian house prices versus the US.

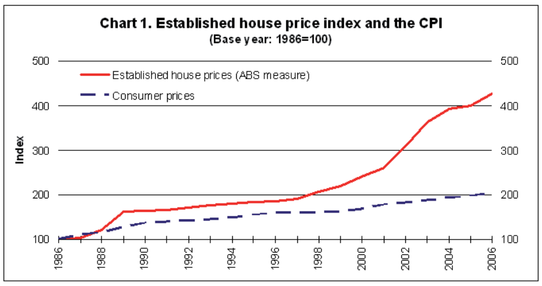


Source: Case-Shiller, Nationwide, ABS, AMP Capital Investors

For a number of reasons, we are unlikely to see a dramatic fall in house prices, though there is clear evidence of recent softening in prices, particularly in Brisbane:

- At any time, around 95% of properties are not on on the market (thus market value is not tested)
- Very low unemployment and a skills shortage requires continued immigration (keeping demand up).
- Interest rates are still around historically low levels vs CPI.
- Our strong economy is underpinned by a commodities boom and continued economic growth in the Asian region.
- The four major banks can influence supply of housing stock by rationing credit to developers (as it is not in their interests to see major housing price falls).

However, without wishing to court the vagaries of forecasting, we anticipate that in the medium to long term there will be a protracted period of stagnation (relative to inflation) in the housing market. This was last seen during the 1990s (refer to chart below).



House prices just kept pace with inflation, for almost a decade. The graph also shows that prices almost doubled in 3 to 4 years in the early part of this decade. The forecast price stagnation may be caused by an increase in supply, a drop in demand as a result of lower migration and/or an environment of higher interest rates. If mortgage rates go above 9% for long, supply will increase (a lot) through stress selling, though this won't resolve the underlying problem of under-building. If wages rise faster than inflation for a few years (which is likely) and prices stay stagnant, the housing affordability problem will ease over time.

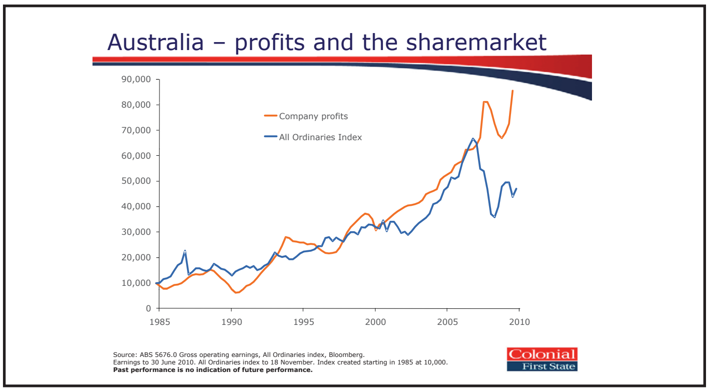
Conclusions

- Housing is very expensive, but a housing bust is unlikely
- Capital growth returns over the next decade are likely to resemble that of the 1990s decade
- Geared investment into housing may struggle to realise the capital gains needed to offset gearing losses over the next decade (this has serious 'lost opportunity' implications for those going into the latest fad of buying geared residential real estate through a self-managed super fund)
- For income investors, current net rental yields of around 3% pa compare poorly to current share dividend yields of around 5.5% (with franking credits)
- First home buyers should worry less about "missing the bus"

The mean-reverting nature of prices is an immutable economic concept. However, it is difficult for the average person to "read" market movements over decades-long time frames.

Market Recovery To Resume, With Volatility

....Continued from Page 1



The Global Picture

Globally, the positive price earnings picture is similar - forward PE multiples on global shares are around 12.4 times, which is well below the 15 year average of 16.7 times.

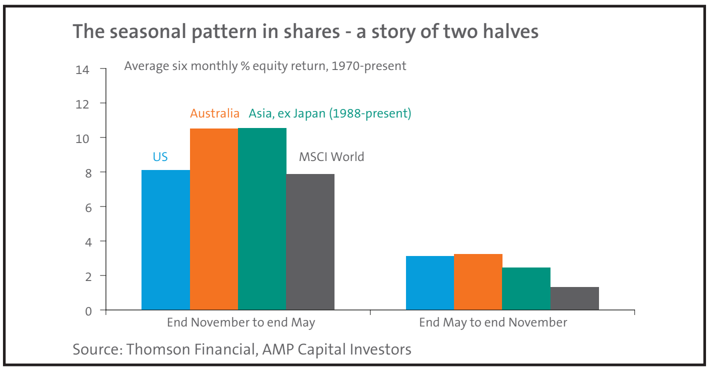
Despite the many worrying aspects which cloud the global outlook, the cyclical dynamics are mainly positive. Global growth is expected to be a robust 4%, driven by the emerging economies.

There is reason to have greater confidence in the continuation of the global recovery, since business indicators seem to have stabilised in most major countries, Japan excepted. The US economy is slowly improving, assisted by a second round of "quantitative easing" and the EU has pledged to stand behind its weaker members (the so-called PIIGS group - Portugal, Italy, Ireland, Greece and Spain - and more recently, Belgium).

There is an old saying that "markets are always climbing a wall of worry". There are many aspects of the post-GFC world which one can fret about, such as the possibility of sovereign debt defaults (who do we start with - our old favourite, Greece?) - but let's not forget the dynamic performance of emerging markets (particularly Asia) which will continue to drive very positive global growth.

Positive 6 Months Ahead

The seasonal pattern in share markets is such that the 6 months November to May (US market wisdom: "sell in May and go away!") is normally the strongest for sharemarkets. This seasonal pattern is global - see graph below. Also, in the US, the third year of the US presidential cycle is normally the strongest, with an average annual gain of 19.4% since 1927.



In summary, we would not be surprised to see a strong return from equity markets in 2011 - particularly for Australian equities. But beware - there will be a high level of volatility along the way, given the many uncertainties which are now part of the global landscape.

Warren Buffett Speaks...

"The market, like the Lord, helps those who help themselves, but unlike the Lord, the market does not forgive those who do not know what they do."

The Rise And Rise Of The Australian Dollar

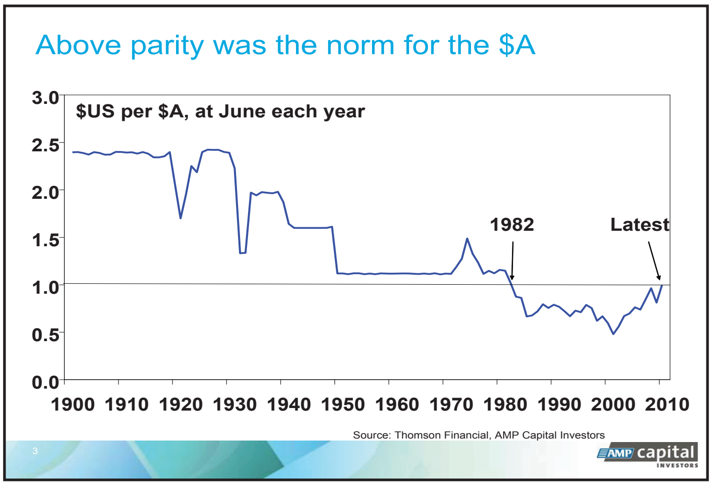
For the first time in almost 30 years, we have seen the Australian dollar break through, and hover around, US$1. The September quarter saw our currency appreciate almost 14%. Why is this, what does it mean for the Australian economy and investors - and is it sustainable?

Cartoon by Nicholson from "The Australian" newspaper: www.nicholsoncartoons.com.au

Looking Back

It has become an assumed fact that the fair value for the Australian dollar is around US$0.70. After all it has traded around this level for the last 30 years, since it was floated in 1983. However, we need to look back further to understand that for most of the century our dollar traded significantly higher, as high as US$2.40 at the start of the century (refer chart below).

There are several key reasons for the recent change in the value of the Australian dollar:



- Major Western currencies such as the US dollar and British pound have weakened. The GFC exposed the vulnerability of developed economies with very high consumption and/or debt levels compared with the strength of emerging economies that had comparatively low consumption and debt levels. In contrast with most developed countries, Australia's debt levels are healthy and manageable.
- Commodity prices are strong, fuelled by continued economic growth in emerging economies, and this supports Australia's resource-based economy.
- Despite our small population, the Aussie dollar is the world's fifth most traded currency. The Aussie dollar represents the best financial bet for those who support the pro-growth, pro-China, pro-risk trade.
- Our interest rates are way above those in the US, the UK, Europe and Japan. This interest-rate differential has provided further impetus to the Australian dollar and attracts foreign inflows.
- In the wake of the GFC, the general international view of Australia has changed from that of a small, inflation-prone and poorly managed economy (think Keating's "Banana Republic" comments) to that of a well-managed, stable and comparatively low debt, low inflation economy.

These combined factors have strengthened our currency and probably will support our dollar at around parity with the US dollar for the foreseeable future as long as these conditions prevail - particularly if the mining/commodities boom continues as forecast. At least another five years would be a fair bet.

The Good and the Bad

As with any major change, there are good and bad implications, threats and opportunities.

For a start, it will be good for Australian consumers as imports cost less. This in turn helps to control inflation, which will take pressure off the RBA to increase interest rates (the reason for the Melbourne Cup Day rise), providing some relief to those with mortgages.

The obvious "bad" factor is that domestic companies that export goods or those that compete with imports will suffer. Their competitors' products and services will be cheaper, putting pressure on revenues and profit. Other vulnerable industries include education, because it will be cheaper for foreign students to look elsewhere (such as Europe and America), and tourism, because domestic travellers will be lured abroad and international visitors enticed elsewhere. This will support the current situation of a "two-tiered" economy given the continued strength of the resources and energy sector.

Larger companies that are vulnerable to a strong dollar may be slower to adapt to these conditions, and as such, may experience some pain. Smaller companies are generally more nimble and can adjust faster. Historically, they tend to do well when the dollar is strong. Either way, vulnerable companies will be forced to be more competitive, innovative and increase productivity to survive and thrive, which is no bad thing.

On balance, given the strength of our economy, global conditions and the commodity boom, a strong dollar is sustainable for the foreseeable future and doesn't have to be damaging to our economy. After all, we have been here before.

If banks ever became everyone's friend, we should know we would be at high risk of a home-grown financial crisis. To do their job properly, banks need to be unpopular with a significant number of the population who cannot get a loan (and shouldn't) or cannot get the sort of interest rates on their deposits they would like. And yes, banks tend to be fair-weather friends who are apt to be too generous if not cavalier in the good times, but can and do pull the rug in panic in the bad times, when it usually isn't necessary. They are like that.

Phil Ruthven, Chairman of IBISWorld

Five Risks To A Happy Retirement

People have different definitions of retirement and different ideas of when they would like to retire, but it is fair to say that most, if not all, desire financial security and independence, and will want to stop working at some point in their life. During our working years we accumulate wealth with this goal in mind. Accumulating sufficient assets to meet our income needs without having to work is a considerable hurdle in itself and will be covered in a future edition of The Retirewell Report. For this edition, we want to concentrate on the common risk factors facing those clients who are retired or thinking about retiring soon.

"He was worried he would have nothing to do when he retired."

Longevity

It's a well known fact that we now live a lot longer than we did earlier in the century, but what does this mean for our financial planning? Longer life expectancies affect people financially in many different ways. For example, the federal government is increasing the age-pension age over time (refer to our article on the next page) to compensate for the costs of pension payments to an increasing number of older citizens.

Assuming a retirement age of 65, the average male can expect to live a further 19 years (nearly half the time most of us spend working) and many will live well into their 90s. The average woman lives three years longer. In both cases, life expectancies will continue to increase with improved health care and technology. Serious consideration must be given to decide how much capital you really need over the long term. If you have enough, that is great, but in a lot of instances it may be necessary to be realistic about your expectations and plan accordingly.

Inflation

Barely noticeable on a year-by-year basis, inflation will slowly but surely eat away at your spending power and capital over the long term. This is the case even in low-inflation environments such as we have experienced over the last couple of decades. At only 3% inflation, 34% of your spending power will be lost after only 10 years! There is no guarantee that inflation will be as benign in the future. The amount you start off with, what you spend, and how you invest your money, all have to be carefully planned to mitigate the insidious effect of inflation.

Asset Allocation

The usual temptation upon retiring is to significantly reduce exposure to growth assets, such as shares and property, and invest in conservative, income-orientated investments. While in a lot of instances it is appropriate to reduce risk in your investment portfolios when you retire, you can go too far. Some growth assets are still required in the majority of cases to ensure an average return sufficient to meet your long-term income needs and to combat inflationary pressures.

In the post-GFC environment, term deposit rates might look great, but in the last few months we have seen rates drop from their highs earlier in the year. Over the medium to long term, rates will continue to normalise and won't provide the necessary inflation hedge most people need. At the end of day, even though you have retired, you are still a long-term investor (see the longevity section above) and a diversified investment portfolio, including growth assets, is most likely appropriate, if not essential.

Withdrawal Risk

Unexpected expenses, overseas trips, a new car, and helping your children are all valid reasons to withdraw money from your investment portfolio over and above your regular income drawings. However, every dollar withdrawn may take years to replace, if you replace it at all, and this reduces your portfolio's lifespan. Planning done before and after retirement is essential to ensure that you make allowances for anticipated and unexpected lump sum withdrawals.

Health and Long-term Care Expenses

When you retire, you may have eliminated a lot of costs such as a mortgage, children's education, car repayments, and personal insurances, and over the course of time some expenses will reduce, such as travel and leisure activities. However, for many people, little thought is given to the long-term cost of health and personal care, which is generally inevitable at some point and very expensive. This is not surprising as it is an unpleasant topic and may not seem urgent. Predominantly self-funded retirees are unlikely to qualify for government-funded nursing and health care, and if you are part of this group, you will need to factor this into your plans.

Going Overseas? Don't Pay Twice For Medical Cover!

Taking out travel insurance that includes medical cover is important if you are going on an overseas holiday. But did you know that you can suspend your Australian private health insurance so that you aren't paying premiums for that cover while you are away? The savings could be significant, especially if you are going overseas for an extended period.

We checked with MBF and Medibank Private, which both allow suspension of a policy from a minimum of two months up to two years (or longer with certain conditions). You don't lose any served waiting period, nor do you lose your Lifetime Health Cover certified age of entry (if applicable). Check with your health fund for its particular requirements.

Most private health funds offer travel insurance with a discount for members. So, if your health fund's travel insurance is the one that suits you best, you can arrange the travel insurance and your private health policy suspension with the same phone call.

Super Matters: Record Keeping Obligations For SMSFs

Self-managed superannuation funds (SMSFs) have potential advantages over "off-the-shelf" product solutions. SMSFs can allow increased trustee control, greater transparency, the ability to invest in direct investments such as property (and borrow to do so), and with sufficient balances, competitive fees.

However, they are not for everyone. Superannuation legislation is very complex and as a trustee of your own SMSF you are responsible for ensuring that your fund meets all requirements, even though you may pay others to assist you. The penalties for not meeting your responsibilities, or breaching the rules, can be quite severe and the ATO continues to increase its surveillance of SMSF compliance as the sector grows.

If you have, or are considering setting up, your own superannuation fund, one important aspect is your obligations in relation to record keeping. Listed below are some guidelines on this topic:

- Taxpayers, including those with SMSFs, must keep records of every act, event, transaction or circumstance relevant for tax purposes, even if the document is not required to be lodged (under the Australian self-assessment system) with a tax return. This is based on the premise that the burden of proof rests with the taxpayer in the event of a dispute with the ATO.
- Records must be retained for a minimum of five years from the date on which the record was prepared or obtained, or from the time the relevant act or transaction was completed, whichever is later. In some instances the required period may be longer, for example:
  - Hard copies of returns lodged electronically must be retained for 10 years.
  - Records relating to the purchase or sale of assets for capital gains tax purposes need to be retained for five years after disposal. In the case of a tax loss that may be used to offset future capital gains, records should be retained until the end of the statutory retention period, or the end of the statutory period for reviewing assessments for the income year in which the loss is fully deducted, whichever is later.
  - Member tax file numbers need to be retained.
  - In the event that the taxation commissioner extends the period for an SMSF assessment, records must be retained for a corresponding period.
- Records must be retained in writing and in English (or if electronically stored, readily accessible and convertible to writing and in English).
- Records must be readily accessible and kept in such a way as to easily ascertain tax liabilities.

In relation to breaches and the ATO imposing fines, a reasonable care test will be applied. This test requires the taxpayer to exercise the care a reasonable person would exercise in that taxpayer's circumstances to fulfil their obligations. For example, when the trustee has no specialist expertise, did he/she seek and rely on professional advice? Whether the test is satisfied and resultant penalties reduced is dependent on the particular circumstances of the taxpayer.

In conclusion, SMSFs involve a lot more paperwork, consideration and time than if you use a fund manager or product provider such as a "wrap" platform. SMSFs can also be considerably more expensive depending on your fund balance and the amount of work you outsource to professional advisers and service providers. In a lot of circumstances flexibility, choice, control and competitive fees can be achieved through product providers without the need to establish an SMSF and to take on the responsibilities that entails. Please speak to your Retirewell adviser if you wish to discuss the appropriateness of setting up an SMSF or other options available to you.

Increases To The Age Pension Qualifying Age

It is not widely known that in the 2009/10 Federal Budget, changes were made to the future qualifying age for the Age Pension. These changes are part of the government's "Secure and Sustainable Pension" reforms in light of an ageing population in Australia. From July 1, 2017, the qualifying age will increase from 65 to 65.5, and will increase by six months every two years until reaching 67 on July 1, 2023.

These changes do not affect existing age pension recipients, but are *relevant to those born after June 30, 1952*. The adjoining table illustrates the new qualifying ages including the existing transitional rules for women.

Date of Birth	Women eligible for Age Pension at age	Men eligible for Age Pension at age
Before 1 Jul 1935	60	65
1 Jul 1935 to 31 Dec 1936	60½	65
1 Jan 1937 to 30 Jun 1938	61	65
1 Jul 1938 to 31 Dec 1939	61½	65
1 Jan 1940 to 30 Jun 1941	62	65
1 Jul 1941 to 31 Dec 1942	62½	65
1 Jan 1943 to 30 Jun 1944	63	65
1 Jul 1944 to 31 Dec 1945	63½	65
1 Jan 1946 to 30 Jun 1947	64	65
1 Jul 1947 to 31 Dec 1948	64½	65
1 Jan 1949 to 30 Jun 1952	65	65
1 Jul 1952 to 31 Dec 1953	65½	65½
1 Jan 1954 to 30 Jun 1955	66	66
1 Jul 1955 to 31 Dec 1956	66½	66½
From 1 Jan 1957	67	67

Using Tax Offsets

As we all know, the Australian tax system is very complicated and it's easy to miss some opportunities to claw back some of those hard-earned tax dollars. Below is a handy reminder of tax offsets that may be available to you.

Low Income Tax Offset (LITO)

Taxpayers (including minors) whose income is below certain thresholds are entitled to LITO. Assessable income below $30,000 attracts the maximum offset of $1,500, which reduces by four cents in every income dollar above this, phasing out at $67,500. For those who qualify for LITO, this means that their effective tax-free threshold is not $6,000 but rather $16,000.

Taxable	Tax Offset
<$30,000	$1,500
$30,001 - $67,500	$1,500 - ((income - $30,000) x 0.04)
>$67,500	Nil

Senior Australians Tax Offset (SATO)

This is available to age pensioners and self-funded retirees over age-pension age. No tax is payable up to the lower (shade-out) threshold as shown in the table below. After that, the tax offset reduces by 12.5 cents for each income dollar until the cut-out threshold.

	Max Offset	Shade-out threshold	Cut-out threshold
Single	$2,230	$30,685	$48,525
Couple (each)	$1,602	$26,680	$39,496

Unused SATO offsets can be transferred between eligible spouses.

Pensioner Tax Offset (PTO)

Generally, the pensioner offset is available to those individuals who are below age-pension age (otherwise SATO applies) *and* are in receipt of a Centrelink or Veteran Affairs pension or allowance. The Disability Support Pension paid to a person under age pension age is tax-free and therefore not eligible for this offset. Although the thresholds are lower than SATO, it works in much the same way.

	Max Offset	Shade-out threshold	Cut-out threshold
Single	$2,518	$22,787	$42,931
Couple (each)	$1,780	$17,874	$32,122

Mature Age Workers Tax Offset (MAWTO)

This offset is available to employed people who are aged 55 or over. It is calculated based on all sources of income (not just employment income) less allowable deductions. Eligible taxpayers can earn up to $19,333 free of tax allowing for both MAWTO and LITO. Unused tax offsets are not refundable.

Income	Tax Offset
<$10,000	5% of income
$10,000 - $53,000	$500
$53001 - $63,000	$500 - (0.05 x (income - $53,000))
> $63,000	Nil

MARKET INDICES TO NOVEMBER 30, 2010

MARKET	INDEX	1 Mth %.	6 Mths %.	1 Yr % p.a.	2 Yrs % p.a.	3 Yrs % p.a.	5 Yrs % p.a.
Cash	UBS Warburg Bank Bill Index	0.39	2.43	4.56	4.07	5.30	5.70
Australian Sharemarket	S&P/ASX All Ordinaries Accumulation	-0.70	7.40	3.20	17.81	-6.84	4.69
	S&P/ASX 20 Leaders Accumulation	-1.43	4.45	-0.04	15.07	-4.25	6.57
	S&P/ASX100 Accumulation	-1.12	5.35	1.02	14.95	-6.73	4.29
	S&P/ASX300 Accumulation	-0.97	6.32	1.82	16.16	-7.04	4.25
	S&P/ASX Small Ords Accumulation	0.53	16.80	10.12	31.58	-8.75	4.40
Property	S&P/ASX300 A-REIT Accumulation Index	-1.97	0.31	1.48	-1.85	-23.45	-9.08
Aust Fixed Interest	Aust Comm Bank All Series/All Maturities Accumulation	-0.58	1.77	4.21	2.30	6.54	5.56
International Sharemarkets	MSCI World Accumulation Index ($A) (MSCI - Morgan Stanley Capital International)	0.05	-2.27	1.67	-2.05	-9.41	-3.16
USA	MSCI USA Accumulation Index ($A)	2.32	-3.90	5.41	-2.72	-7.44	-3.97
UK	MSCI UK Accumulation Index ($A)	-2.81	1.23	-0.67	-2.08	-12.32	-3.32
Europe	MSCI Europe Accumulation Index ($A)	-5.52	0.01	-6.60	-2.92	-13.63	-2.68
Japan	MSCI Japan Accumulation Index ($A)	4.35	-5.45	3.31	-8.40	-10.48	-7.10
Asia Ex Japan	MSCI Far East ex Japan Accumulation ($A)	1.38	5.49	13.45	20.05	-4.56	7.18
International Fixed Interest	Citigroup World Govt Bond Unhedged Accumulation ($A)	-2.68	-7.09	-6.32	-12.20	2.55	1.55
Inflation	CPI – Weighted Capital Cities (@ 30/9/2010)	N/A	1.34	2.78	2.02	3.00	N/A

Advice In Whose Best Interest?

A report just published by Roy Morgan Research, (based on a survey of 5,400 investors entitled *Superannuation and Wealth Management in Australia*) found that the big six financial planning groups – AMP, NAB/MLC, AXA, CBA/Colonial First State, Westpac/BT and ANZ/ING – place an average of 74% of their clients' superannuation money into their own in-house planning products.

The report found that the advisers of the various large institutions directed their clients' superannuation monies into their in-house products as follows: AMP - 84%; CBA/CFS - 76%; Westpac/BT - 74%; AXA - 71%; NAB/MLC - 69%; ANZ/ING - 53%.

While we do not suggest that the direction of these monies was necessarily inappropriate, it does show that when you go to (for example) a fruit shop, don't be surprised if the only thing offered is fruit. After all, a primary role of advisers who are licensed to product-manufacturers is to maximise the placement of their principals' investment products. It is very difficult for institutions to make money out of advice alone - the cost of running their advisory network is invariably heavily subsidised by profits made on the sale of investment products.

The report also found that the majority of consumers did not know if their adviser was aligned to an institution or licensed to an independently owned firm. For example, 62% of clients who invested into superannuation through financial planning firm Financial Wisdom thought it was independently owned, when it is actually owned by the Commonwealth Bank group. Examples of financial planning firms owned by institutions are:

Firm	Owned By
Hillross	AMP
Godfrey Pembroke, Garvan, Apogee	NAB (MLC)
Magnitude, St George FP, Securitor	Westpac (BT)
IPAC, Charter, Quadrant	AXA
Whittaker Macnaught , Financial Wisdom	CBA Group
Millennium 3, RI Advice Group, Financial Services Group	ANZ

Of the (approximately) 16,000 advisers in Australia, around 85% (yes, 85%!) are Authorised Representatives of the "big 6", or an advisory firm owned by the "big 6", who regard these firms as just simply part of their product distribution chain.

As an independently owned firm (that is, not owned by a financial institution or investment product provider), Retirewell advisers are free to recommend only those investments and strategies considered to be the best and most suitable to our clients' needs.

Free Car Parking For Clients

If you drive into the city for an appointment with us, we can now offer you (for the foreseeable future) free car parking in the Secure Car Park underneath the new building at 140 Elizabeth Street which adjoins our building at 141 Queen Street. The entrance to this car park is on the left, approximately 30 metres past the corner of Albert Street (just past the Myer Centre).

Your adviser can give you a voucher for a two-hour or a four hour stay at the car park at the conclusion of your appointment.

One of the pleasures of our business is that many of our new clients come to us because our existing clients suggest that they do. If you like what we've done for you, please tell your family, friends and colleagues about us. We promise to give them the same high quality of advice and service you have come to expect.

RETIREWELL

WEALTH MANAGEMENT SOLUTIONS

A.D. (TONY) GILLETT

CFP® FPA Fellow CDec

ALAN BAKER

MCom(FinPlan) CFP® DipFP

MARK HOLZWORTH

MCom(PA) GradCertProfAcctg
AdvDipBus DipFP FPNA

RETIREWELL FINANCIAL PLANNING PTY LTD
Level 24, 141 Queen Street
(Cnr Albert Street)
Brisbane Queensland 4000

Telephone 07 3221 1122
Facsimile 07 3221 3322
Email retirewell@retirewell.com.au
Web www.retirewell.com.au