



FIDUCIAN FOCUS

Winter
2007

TRANSITION TO RETIREMENT PENSIONS

On 1 July 2005, new rules commenced allowing a person of preservation age to access their superannuation benefits through a Non-Commutable Income Stream (NCIS), allowing a smooth transition to retirement without losing out on income and receiving tax benefits in the process.

One strategy that has been quite popular is to salary sacrifice income into superannuation and draw an income from an NCIS. In effect, swapping the income source from salary to pension.

Take for example Jerry, aged 55 years and earning \$131,000, with around \$350,000 in superannuation. To help him boost his retirement savings he is currently salary sacrificing \$31,000 in to super each year. By continuing this investment strategy his estimated super benefit at age 60 is around \$693,000 (based on a 7%p.a. return).

However, if Jerry uses the \$350,000 he has accumulated in super to commence an NCIS (like a non-commutable super pension) he is able to substitute some employment income with some tax-effective pension income. Thereby, allowing him to maintain his current cash-flow requirements and continuing to grow his retirement savings.

Whilst the benefit of this strategy will depend on your personal circumstances, it may help to:

- Further boost your retirement savings – Jerry increased his final retirement savings to around \$735,000



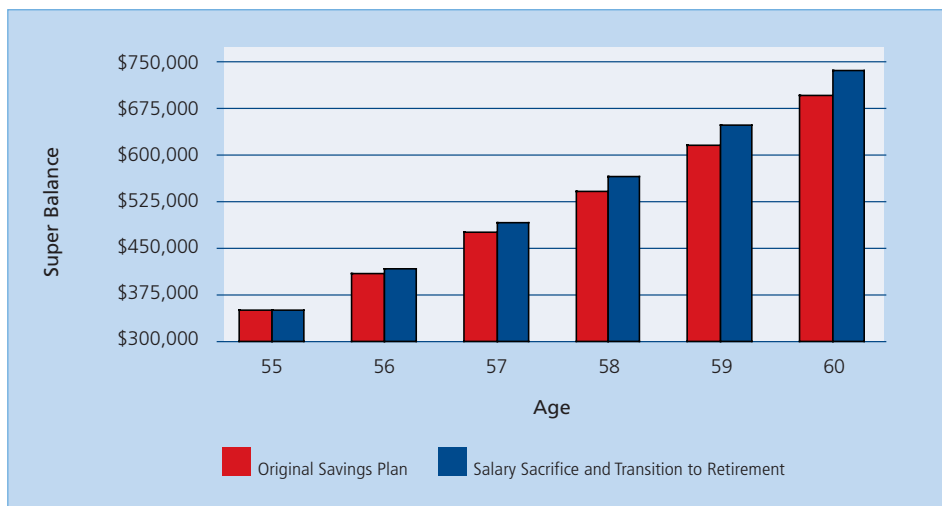
- Manage the level of total tax paid - Jerry reduced his total tax by around \$8,000 each year
- Manage your annual Cash-flow requirements – Jerry reviewed the amount he sacrificed to super and drew as a pension each year to maintain a regular net income.

CONCLUSION

Clearly salary sacrificing during the transition to retirement phase can have great benefits to an individual, however it is important to discuss your requirements with your Fiducian Financial Adviser to ensure you get accurate and quality advice.

*“Opportunity is rare,
and a wise man
will never let it
go by him.”*

Bayard Taylor



WHAT IS A SALARY SACRIFICE?

Broadly, Salary Sacrifice is an arrangement between an employee and an employer, which allows the employee to forgo future gross wages or salary in return for a non-cash benefit, such as superannuation contributions.

WHAT DOES IT DO FOR MY SUPERANNUATION?

By Salary Sacrificing part of your gross wages, you can increase your final retirement benefit. This may mean you could be able to retire earlier than you first planned or with more money.

Our example and graph below demonstrates how sacrificing part of your salary each year helps your superannuation balance accumulate at a faster pace.

Tom is 30 years old, has a super balance of \$40,000 and an annual Salary of \$65,000 (indexed at 3.5% each financial year).

If Tom Salary Sacrifices \$10,000 per year (indexed), his final benefit will increase from \$637,110 to \$1,417,517 at retirement in (today's dollars, based on an average return of 7%p.a.)

BENEFITS OF SALARY SACRIFICING

Whilst any money contributed towards superannuation is preserved for retirement, there are a number of benefits, including:

- Being able to tax effectively save for your retirement, which can allow you to save more, increasing your final retirement benefit
- Having the ability to access wholesale managed funds, shares, property trusts for a fraction of the cost of investing in a non-super environment

- Allowing you to reduce your taxable income, which combined with making an after-tax tax contribution, may make you eligible for the government co-contribution

A correctly structured Salary Sacrifice arrangement into superannuation can result in:

- Lower income tax paid by you
- Lower tax overall, where the tax on superannuation contribution is less than an individual's average tax rate
- No fringe benefits tax on the amount sacrificed
- Ability to split contributions to your spouse
- Reduces Medicare Levy
- Easy to arrange

Salary Sacrificing into superannuation also benefits your employer and will make them more likely to set up an agreement. The benefits to the employer are:

- Full tax deductibility of the contribution to your employer
- Lowering of the salary base on which the overheads may be based

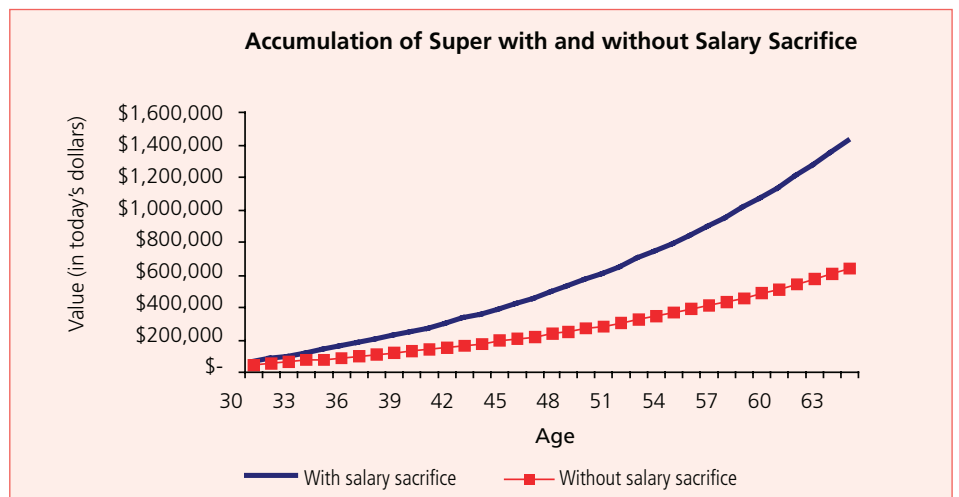
HOW DO I GET STARTED?

Speak to your Fiducian Financial Services Adviser who can help set up a Salary Sacrifice option that works for you.



“It is better to be prepared for an opportunity and not have one than to have an opportunity and not be prepared.”

Whitney M.Young, Jr.





MARKET OVERVIEW

IS THE OUTLOOK FOR WORLD ECONOMIC GROWTH STILL POSITIVE?

The global economy is continuing to experience one of its fastest growth rates ever and is now in its fourth straight year of annual real growth of at least 5%. This rapid expansion is being underpinned by booming economic activity in many parts of the developing world. China, for example, grew by over 11% in the year to end-March, while India has been growing by over 9% and Eastern Europe by over 6%. This growth in emerging regions though is dependent to a considerable degree on access to large markets in the advanced economies. This interrelationship is well illustrated by the fact that exports from the developing world have been growing by over 20% per annum for each of the last four years (IMF data, \$US terms).

In recent years there has been some imbalance amongst the major advanced economies, with the US having grown more strongly than Europe or Japan. However, this year could bring more balanced growth, as the outlook for the major European economies has been improving, while the US is experiencing a major housing slowdown. Overall, the outlook for world growth remains distinctly positive.

WHAT ABOUT THE OUTLOOK FOR SHARE MARKETS?

Most major share markets, including Australia, still appear to be quite fairly valued. One exception to this though is the Chinese market, which has risen sharply since late last year. The steep rise in this market (Shanghai 'A' share market) is shown in the following graph:



A fall in this market could rock other world markets for a time, although most major markets appear to be much more reasonably valued. All in all there would appear to be potential for further market appreciation for the major markets over the course of 2007, although volatility could be heightened.

“Manage Your Risk or It Will Manage You!”

Anonymous

FIND A WORD

Which TWO of these words occur twice in the puzzle?

Which ONE of these words does not occur in the puzzle?

- | | |
|-----------|------------|
| Bowls | Pension |
| Caravan | Relax |
| Family | Retirement |
| Fishing | Social |
| Gardening | Super |
| Golf | Time |
| Leisure | Theatre |
| Lifestyle | Travel |
| Money | Volunteer |
| Movies | Village |

R	E	T	I	R	E	M	E	N	T	A	S
P	G	E	G	N	I	H	S	I	F	K	O
W	Q	M	O	N	E	Y	M	U	L	C	C
N	F	C	X	R	O	E	E	V	B	A	I
M	O	V	I	E	S	H	B	I	J	R	A
R	L	I	F	E	S	T	Y	L	E	A	L
Y	F	L	S	T	B	O	W	L	S	V	E
J	G	N	I	N	E	D	R	A	G	A	R
F	R	G	D	U	E	N	C	G	K	N	T
T	E	M	V	L	Z	P	I	E	T	D	A
I	P	F	L	O	G	R	E	L	A	X	E
M	U	H	S	V	L	E	V	A	R	T	H
E	S	L	E	I	S	U	R	E	I	A	T

FIDUCIAN IN THE COMMUNITY

Fiducian sponsors 20 country kids for an unforgettable trip to Sydney

At the beginning of March, Fiducian were the proud major sponsors of the Rotary 'Your City' Project. A project that has been running since the early 1980's which takes a group of country children to Sydney for a fun filled week of sightseeing and activities.

This year, Fiducian's sponsorship enabled 20 children and 2 teachers who come from 5 towns west of Dubbo to visit our city of Sydney. Many of whom come from drought stricken farms and

have not had the opportunity to visit Sydney previously.

The children's week consisted of a very busy itinerary of learning and fun including visits to the Power House Museum, Sydney Tower, IMAX Theatre, the Australian Museum, NSW Parliament House, the Rocks, the Maritime Museum plus a morning sail around Sydney Harbour on the Svanen, the fabulous 3 masted ship.

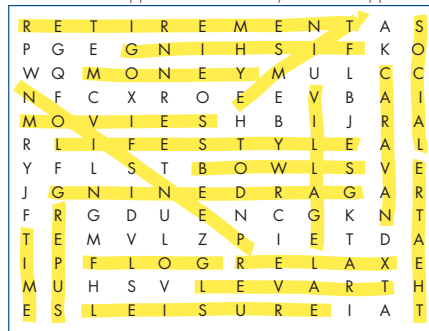
We hope they all come back and visit again soon!



“ We cannot always build the future for our youth, but we can build our youth for the future. ”

Franklin D. Roosevelt

Answers: Time appears twice - Family does not appear



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