SPRING 2012

Wealth & Health

IN THIS EDITION

Welcome to the Spring edition of Wealth & Health for 2012. In this issue Kunal Kotwal, our investment specialist, has included a piece on Defensifying Growth Assets and how different strategies can have a positive impact on your portfolio if managed correctly.

The 2012 State Budget has brought with it some changes to taxes and grants that will affect new and first time home buyers. We have provided information on some of these important changes for you.

We would like to introduce the newest member of the WealthPartners team, Verena Schmid. She brings with her an eagerness to learn and grow and a diverse background which we are confident will be an asset to our team.

Finally, a very popular topic at the moment is the rising cost of living in Australia. With prices rising everywhere we turn, having the funds available for necessities can be difficult. The good news is that we may be able to help you structure your personal insurances in a way that can lead to savings and relieve some of the pressure.

We hope you enjoy this edition of our newsletter, as always we welcome your feedback on any of the articles and if you would like to discuss any of the material in here or other financial matters that are important to you, please give us a call.

Enjoy!

The WealthPartners Team

WealthPartners
FINANCIAL SOLUTIONS

DEFENSIFYING GROWTH ASSETS

The title statement above seems counter-intuitive; however with prudent portfolio construction and in-depth knowledge of innovative strategies this can actually be achieved.

To illustrate the above point, I will outline three strategies that Australian equity managers use:

Long – Only: These are the funds that we are all used to; their mandate is to remain fully (or as close to fully) invested at all times. These funds work very well when the market is trending upwards due to the large exposure in the market and the low levels of cash. However, when the market is directionless, highly volatile and also trending down, this strategy suffers significantly as the positives listed above actually start working against it.

Variable – Beta: These funds are more flexible than pure long-only strategies as they manage two areas.

❶ *Picking the right stocks* – This is the cornerstone that all fund managers need to get right

❷ *Picking whether to be in or out of the market* – A variable-beta fund has the flexibility to vary its levels of exposure to the market given the volatility and conviction the fund manager has.

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2012 STATE BUDGET –
Important changes you need to know about

From July 1 the 2012 State Budget has brought with it some changes to State Taxes and Grants. While some changes do not come into effect until later in the year, being prepared for these changes now is a good idea to avoid any confusion later on.

New Home Grant Scheme:

- A new $5,000 grant will be provided to new home buyers (those building a new home or purchasing a recently built home) valued up to $650,000.
- Land valued up to $450,000 purchased with the intention of building a home will also be eligible for the grant.
- In the case of a vacant land purchase construction of a new home must commence within 16 weeks of the settlement date unless an extension is granted by the Chief Commissioner.

First Home Owner Grant (New Home) Scheme:

- Commencing 1 October 2012, the First Home Owner Grant Scheme will be replaced with the First Home Owner Grant (New Home) Scheme and will only apply to first time buyers who build or purchase a recently built home valued up to $650,000
- The current $7,000 grant will increase to $15,000 until 1 January 2014 where it will decrease to $10,000
- First time buyers will also receive no stamp duty on newly built properties
- Example – for a $500,000 newly constructed home first time buyers will receive the $15,000 grant plus no stamp duty of $17,990 for an approximate savings of $32,990

‘The abolition of the following duties has been deferred ...’

Deferred abolition of duties:

- The abolition of the following duties (taxes) have been deferred until 1 July 2013, meaning that duty will still be payable on the following assets -
  - duty on mortgages – this is excluded for homes and investment properties
  - transfer duty on non-land business assets
  - marketable securities

‘If you partly or solely own any of the following you may be liable for land tax ...’

Land tax:

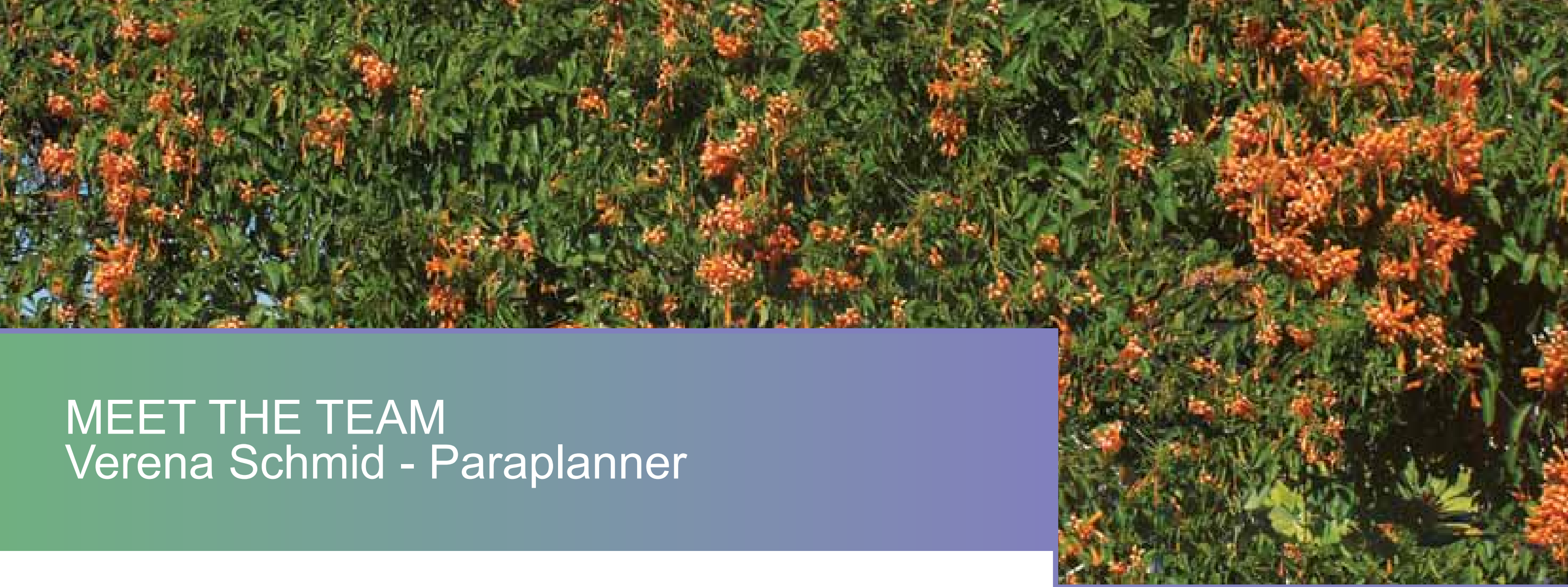
- If you partly or solely own any of the following you may be liable for land tax:
  - vacant land or land where a residential unit or home has been built
  - a holiday home or investment properties
  - commercial or industrial units including car spaces and company title units
  - land leased from state or local government.

Rates and thresholds:

- Land tax is levied on any taxable land that you own (see above). You will be required to pay the tax for any portion of the land value over the threshold.
- The land tax threshold for the 2012 land tax year is $396,000.

If you have any questions on how these changes may affect you or would like to discuss your individual situation, please contact the office on (02) 9955 1988.

Source: Premium Property Finders
Bill Rainger - WealthParners Debt & Lending Specialist



MEET THE TEAM
Verena Schmid - Paraplanner

I was born in Germany and because of my father's employment as an overseas Project Manager for a large German Aid Agency, I lived in many different countries growing up. Throughout my childhood my family and I lived in the Philippines, Tanzania (Africa), and Germany. I am fluent in German and know the basics of French and Spanish.

'I possess a keen interest and I am looking forward to working and gaining relevant experience and knowledge.'

I moved to Australia in 2007 to complete my HSC. I finished third best in my year and then went on to attend university. I recently graduated with my Bachelor of Economics in Banking and Finance.

While I haven't had any previous experience within the Finance Industry I possess a keen interest and I am looking forward to working and gaining relevant experience and knowledge.
In my spare time I enjoy meeting up with friends, playing tennis, baking and reading.

Verena Schmid
Paraplanner

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DEFENSIFYING GROWTH ASSETS

A fund like this comes into its own in an environment of volatility, a directionless or downward trending market. Due to the high levels of cash the fund manager is allowed to run within the portfolio it will exhibit a level of downside protection if the calls of the fund manager are right i.e. to be in/out of the market and which stocks to own.

Long/Short Equity: These funds are also more flexible than pure long-only strategies as they manage two areas.

1. *Picking the right stocks* – to make a gain when stocks they have chosen increase in value
2. *Picking which stocks are poised to reduce in value* - to make a gain when the stock(s) decrease in value (shorting).

A fund like this should theoretically work in an appreciating and depreciating market however the key thing to note is that a Long/Short fund is much higher on the risk spectrum than the Long Only and Variable Beta strategies given its flexibility to short stocks. Some Long/Short funds also use leverage to enhance their outcome.

At WealthPartners we manage the blending of the above strategies within and across various asset classes so that the overall solution is suited to the risk appetite of the individual client.

We pride ourselves in meeting and receiving regular updates from the people who actually manage the money and not solely the distribution channels.

For further information on these strategies please contact your adviser.

Source: Kunal Kotwal BSc, DFP - Investment Specialist & Financial Adviser at WealthPartners. Connect with me through LinkedIn - http://au.linkedin.com/pub/kunal-kotwal/2a/20/35

INSURANCE THROUGH SUPERANNUATION

More affordable protection for you and your family ...

The cost of living in Australia is constantly rising, as are the number of personal insurance claims made each year. With this in mind, you may be wondering how you can continue to afford the important insurance required to protect yourself and your family from the financial impact of a premature death, disability, sickness or accident.

There is however some good news ... you may be able to structure your insurances through your superannuation - resulting in significant savings.

Holding insurance through super can be a very tax effective strategy. It may result in you being able to use less of your income to pay for the same (or even higher) level of cover.

How does it work?

Paying for insurance via your Superannuation is made possible via a number of concessions available within the particular super fund, these include but are not limited to, salary sacrifice, government co-contribution and spousal contributions.

Super funds can also qualify for a tax deduction on the premium for most insurances, resulting in the net cost to you being even more affordable.

It is important to note that not all super funds are structured the same and there are very important tax, beneficiary and structural considerations. There are also different rules around the entitlement of insurance proceeds. Structures must consider the age of the recipient, the components of the super fund, and the relationship between you and the beneficiary, to ensure possible tax consequences are avoided on the benefit paid.

Some super providers even pay an extra amount to certain beneficiaries (including spouse and children) in the event death.

Here at WealthPartners, we can help you ensure that an appropriate structure is held for your insurance. We can advise which super funds and insurers are best for your requirements and insurance needs. It is also important that they have a strong claims history.

If you would like to know more about reducing the cost of providing protection for you and your family, without reducing benefits, please contact us.

Source: Adam Crabbe CFP LRS - WealthPartners Risk Specialist

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