



You may have noticed a new look and feel of this Newsletter. Stonehouse has undergone a refresh of our brand and corresponding materials. We feel it better reflects the quality of our service and advice offerings. We encourage you visit our new website www.stonehousegroup.com.au which will in time host more informative articles and have greater functionality for our clients.

Longevity Risk Planning

Louis Strange, Financial Adviser

In early May, the RBA announced that the official cash rate for Australia was being lowered to 2%. This is off the back of a declining interest rate over the past seven years in the post GFC world to try to increase spending. Essentially, the rationale is the cheaper it is to borrow, the more likely people will do so. In turn, the more money they have, the more they will spend, thus creating an increased demand for goods and services and in turn, economic growth.

Sadly, this has created some negative consequences in the process for the good it is trying to achieve, the most significant of which is reducing income returns from cash assets relative to inflation (measured by the increase in the cost of living), exacerbating 'longevity risk'.

Longevity risk refers to the potential that with increasing life expectancies - especially when an individual is self-retired - savings are exhausted before the end of one's life. Simply put, one effectively outlives their savings.

To explain further, a 'total return' of an investment is equal to income plus capital growth. As the income component of a return decreases due to lower interest rates, the total return will also likely decrease thereby creating additional longevity risk. Couple this low income environment with increasing average life expectancies and no wonder outliving one's assets is a major concern.

For example, if the best one year Term Deposit rate is 3% per annum and the long term inflation rate is also 3% per annum, after any tax payable (if applicable) these assets may generate a negative 'real return'. To try and offset this, one may consider a shift in asset allocation and seek additional risk to try to generate additional income. For

example, you could hold cash and generate an income of 3%, or a portfolio of shares returning an income (dividend) of approximately 5% (ignoring any change in capital value).

However with this additional income comes additional risk (measured by volatility through upward and downward price movements), as the purchase of these shares is essentially a move from a defensive asset class to a growth asset class. This may be an effective method to reduce your longevity risk however it is not a strategy for everyone and depends heavily on one's tolerance for risk (or 'risk profile').

When considering an investment strategy within the guidelines of one's risk profile, it is important to get the right mix of assets in place to generate a better income with the additional opportunity for capital growth in order to help secure a comfortable lifestyle in retirement.

Your Adviser may have already helped you to reduce your longevity risk through tailored investment advice, especially through exposure to a dynamically managed investment portfolio. When factored in with diversification, this should allow for exposure to growth assets in order to potentially enhance returns whilst reducing overall volatility, thus decreasing longevity risk.



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2015 Federal Budget Snapshot

SMALL BUSINESS TAX RATE



Tax rate to be **reduced** to
28.5%
if turnover less than \$2m

DROUGHT RELIEF



Fencing and **water** fully
tax deductible in year incurred

TEMPORARY WORKING HOLIDAY (including backpackers)



Pay income tax at a rate of
32.5%
from the first
\$1

ACCELERATED DEPRECIATION



Immediate deduction of assets acquired
by a small business up to **\$20,000**

FAMILY TAX BENEFIT



Benefit to be **limited** if
travelling overseas for
more than 6 weeks

NEW CHILD CARE SUBSIDY



Cover up to
85%
of child care costs

NO JAB, NO PAY



No up-to-date
immunisations

=



No child
support subsidy

AGE PENSION



91,000
will lose
entitlement
to pension



235,000
will receive
reduced
pension



170,000
will receive
increased
pension

AGED CARE RENTAL INCOME (from former home)



No longer exempt from means
testing of aged care fees.

LOW INCOME SUPPLEMENT



Low income supplement
will not be available
from **1 July 2017**

HOME CARE PACKAGE



Streamlined
consumer choice

If you require a more detailed summary please send a request to info@stonehousegroup.com.au
Note subject to legislation being processed. Measures have different dates and eligibility criteria.



Financial Planning Scholarship

Stonehouse Launches A First For Griffith University

Stonehouse has recently partnered with Australia's leading provider of financial planning education, Griffith University, to deliver a scholarship program encouraging a higher level of education for financial advisers.

"Whilst Stonehouse has maintained a commitment to the employment of high level advisers, the financial planning profession in Australia has only recently introduced a suitable minimum qualification framework" said Stonehouse Senior Partner, Ben Hancock.

"Properly educated advisers bring a greater depth of understanding in relation to financial market dynamics, economics and strategic solutions and we felt well positioned as a Brisbane-originated and headquartered firm to join with one of the city's finest universities in delivering this scholarship".

Associate Professor Mark Brimble, Discipline Head of Finance and Financial Planning at Griffith University

added, "As one of Brisbane's leading and longest standing boutique financial planning firms, we embraced the opportunity to partner with a respected organisation that will offer more than just financial support but also the potential for hands-on learning opportunities through a cadetship program".

The scholarship will be available to students at Griffith University's Nathan, Logan and Gold Coast campuses studying the Bachelor of Commerce program with a major in financial planning. The scholarships will be awarded annually to committed and meritorious students at a value of \$10,000 to help them achieve excellence by assisting with the financial pressures of full time study. In addition, Stonehouse award recipients will be offered a cadetship to provide the opportunity to experience first-hand, the attributes required to deliver the highest quality advice within a professional independently-owned firm.



SMSF Notice Board

- For those Funds that still have outstanding 2014 income tax returns, please send us the necessary information as soon as possible as you return is overdue.
- We will soon commence work on your Fund's 2015 financials – a request for information will be sent out in due course .
- The new electronic contribution standards known as SuperStream will be in effect as of 1 July 2015. If applicable you should have already received correspondence from us outlining what you need to do.





Stonehouse Touch Football Team

In the spirit of team building, health and fitness and a lot of fun, we have joined the local 'Touch Rugby League' competition to test our skills every Monday night against Graceville's best.

Four games into the seasons and we are working our way up the ladder and our spirits are high!



Senior Partner Michael Stewart and his wife, Practice Manager, Natasha Stewart, have welcomed the latest edition to their family, son Flynn John Charles.

FPA Event

In May, Stonehouse sponsored an event featuring keynote speaker, Mark Rantall, CEO of Australia's peak professional association for financial planners, the Financial Planning Association of Australia, at the Four Season's Hotel in Sydney.

“ **The value of independent, professional advice.** ”

This event, run in conjunction with the Australia-Israel Chamber of Commerce, provided the broader community with the opportunity to hear from one of the most influential individuals within the Australian financial landscape on changes currently being experienced within the profession and its involvement in the advancement of consumer protection from less scrupulous operators within this space.

Through its involvement in this valuable community event, Stonehouse sought to advance public awareness of the value of independent, professional advice and to educate those unaware of the importance of strategic financial advice in the achievement of financial goals within the prism of taxation and retirement regulations as they interplay with finance and investment market conditions.



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