

# Alchemy

## Kismet Financial Services

WINTER 2009



### Special points of interest: Points noted hereunder are quoted from Dr Shane Oliver, AMP Capital's Chief Economist

- The rebound in the \$A reflects a combination of renewed \$US weakness, stronger commodity prices and the relative strength of the Australian economy.
- Notwithstanding contract prices for iron ore and coal which always lag, tradeable commodity prices seem to be recovering earlier than normal in this cycle reflecting the role played by China, infrastructure projects and supply cutbacks. The commodity super cycle looks to be alive and well.
- A rising \$A is a mixed bag for the Australian economy, but could act as a dampener on the economic recovery and profits.
- The strengthening \$A means there is a case for investors to consider having a higher allocation to hedged international equity funds over unhedged funds.
- While the \$A is due for a correction, in the absence of a major setback in the global economic outlook the broad trend is likely to remain up. A rise to around \$US0.85 by year end is now quite likely.

## Welcome Aboard

CARENE LIM

PARAPLANNER

CARENE WAS BORN AND RAISED IN SINGAPORE BEFORE COMING TO AUSTRALIA TO STUDY. SHE HAS A BACHELOR OF COMMERCE FROM MELBOURNE UNIVERSITY, A MASTERS OF FINANCE FROM RMIT AND A DIPLOMA OF FINANCIAL SERVICES FROM DEAKIN. HER EXTENSIVE EXPERIENCE IN THE FINANCIAL SERVICES SECTOR MAKE HER A TERRIFIC ADDITION TO THE KISMET TEAM. CARENE IS THE PROUD MUM OF A LIVELY PRESCHOOLER. IN HER SPARE TIME, CARENE ENJOYS VISITING B&B'S, FINE FOODS & WINES, GARDENING AND READING.



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## Estate Planning Essentials

Considering how much time and effort you will devote to building up your estate over a lifetime, it's worth setting time aside for estate planning. Estate planning is all about ensuring the right amount of money is passed on to the right people at the right time. If the necessary issues are addressed, the Will can be structured to ensure the estate is not contested, assets are protected and tax is minimised. This is where a financial adviser adds value in the estate planning process. By taking a strategic view, financial Advisers work with you and your legal adviser to ensure all aspects of the estate planning process are considered. All too often, we see too much tax being paid because inappropriate assets have been bequeathed to beneficiaries who should be receiving other assets. A classic example is superannuation being paid to adult children, there are children under age 18 who could have received the superannuation proceeds tax effectively. Also, adequate provisions may not have been made for children from a previous relationship, or for stepchildren. In these cases, the Will is often contested and the assets of the estate are significantly reduced by legal costs. These are just 2 examples of problems often encountered. If the right questions are asked these problems can be avoided.

### Following is a sample of some other questions to think about:

- Do I want my children to inherit large sums before they can confidently/prudently manage it?
- Will I be leaving my beneficiaries a large or unknown tax liability?
- Are family assets protected in case of my beneficiaries being in financial difficulty eg bankruptcy or insolvency?
- Are my family assets protected if one of my beneficiaries is divorced?
- Would my children inherit my assets if my spouse remarried?
- Who will control business and investment structures such as the family trust when I die?
- Have I left assets to a charity that will create a tax liability for my beneficiaries?
- Have I taken into account that my home receives special tax treatment?
- With a life interest, have I considered the taxation implications?
- Do my beneficiaries have differing tax positions that need to be considered?

*“If we had no winter, the spring would not be so pleasant: if we did not sometimes taste of adversity, prosperity would not be so welcome.”*

[Anne Bradstreet quotes](#) (poet, 1612-1672)

## Winter Warmer

### Braised Lamb Shanks With Gemolata

#### Ingredients (serves 4)

- 4 “frenched” (trimmed) lamb shanks
- 1 onion, sliced
- 4 garlic cloves, sliced
- 1/3 chilli, sliced
- 1 glass of red wine
- 1 litre of Italian peeled tomatoes

#### Gremolata

- Zest of 2 lemons
- 2 garlic cloves, sliced
- Handful of Italian parsley

Roughly chop all together



#### Method

Season and coat the shanks with flour. Fry in a large pot until golden brown and then set aside. Wipe pot clean and fry onions, garlic, chilli and thyme until golden. Add red wine and reduce by half. Add tomatoes and simmer for 5 minutes, season to taste (may need a little sugar). Blitz with a hand blender or in a food processor. Add shanks, cover pot and simmer for 2 to 4 hours until meat begins to fall from the bone, alternatively place in a covered baking dish at 200.C. Serve with mash potato or soft polenta, steamed vegetables and finish with gremolata.

Recipe kindly provided by chef David of “Nosh”, a highly recommended dining establishment in Newport

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#### To accompany this delicious meal, our wine guru Natalie suggests ...

Less than \$15 - Fox Creek Red Baron McLaren Vale Shiraz. This is a nice drop with smooth tannins and rich berry and plum fruit flavours. Retails for approximately \$13- \$15.

\$15 to \$30 - Irvine Reserve Zinfandel. This seriously good dry style Zinfandel with rich red and black fruit flavours and soft tannins that match perfectly to the richness of lamb shanks. Retails for approximately \$ 28—\$30.

\$30 and over - Majella Coonawarra Malleca Cabernet Shiraz . This is a rich blend of red and black fruit flavours, spice and vanilla oak. Natalie’s exact word for this wine was “yum”. Retails for approximately \$45-\$50

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**Don't forget that your finances should be reviewed at least once a year, so call us on 94673355 if you need to make an appointment**

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### Try these 5 easy relaxation tips to feel more relaxed and in control.

1. Take time out and leave a stressful situation. If you are at work, offer to run an errand or go for a short walk. A few minutes away can help you think clearly and the walk will get rid of some of the tension in your body.—PLUS, don't hit send on that email, until after you come back!!!
2. If you are feeling overwhelmed, stop the activity you are working on and do something different. Sometimes it helps to come back to a stressful task later when you feel more relaxed instead of persevering. If you are at home with small children it is often better to stop when they, and you, become frustrated and take some time out to do something else so everyone can calm down.
3. Listen to relaxing music while you work. Listening to classical or nature music has been shown to lower heart rate and slow breathing. People often report feeling calmer after listening to calming music. Develop the habit of playing music in the background while you work for easy relaxation.
4. Take regular breaks during the day. Spend 5-10 minutes to read something uplifting or humorous, or chat with a friend. Small breaks help to prevent your mind and body from becoming fatigued, a major source of stress.
5. Practice mindfulness. Mindfulness is the ability to be fully aware of the present moment. It is a skill that helps to reduce stress and depression. Learning relaxation techniques is a good way to start learning mindfulness. As you gradually become more aware of your body and subtle changes that occur with relaxation your ability to notice small changes will improve. Start by spending 5 minutes a day just sitting in the quiet noticing the sights, sounds and bodily sensations you are having. You can also learn mindfulness through meditation techniques.

## Budget Matters—3 points of interest from the 2009 budget

Source: Federal Budget 12/5/2009

### Superannuation Co Contribution Decreased

The Government currently contributes \$1.50 (150%) for every \$1.00 invested into superannuation as an after tax contribution for tax payers earning less than \$30,342 per year, with eligibility shading out for incomes between \$30,342 to \$60,342. The maximum which could be received as a co-contribution is \$1500.

The Government announced the co-contribution would be reduced to 100% of eligible contributions for the 2009/10, 2010/11 and 2011/12 income years with a maximum contribution of \$1000. The rate will increase to 125% of contributions for 2012/13 and 2013/14 income years after which it will increase to 150%

### Personal Taxation Rates

The reductions in personal income tax rates announced in the previous budget remain unchanged. The income tax rates for resident individuals for the financial year 2009/10 are:

Current thresholds 08/09 \$	Tax rate %	Tax threshold 09/10 \$	Tax rate %
0 – 6,000	0	0 – 6,000	0
6,001 – 34,000	15	6,001 – 35,000	15
34,001 – 80,000	30	35,001 – 80,000	30
80,001 – 180,000	40	80,001 – 180,000	38
180,001 +	45	180,001 +	45

Tax threshold 10/11 \$	Tax rate %
0 – 6,000	0
6,001 – 37,000	15
37,001 – 80,000	30
80,001 – 180,000	37
180,001 +	45

### Reduction in Concessional Contributions Cap

The Government announced the concessional contributions cap will be reduced from \$50,000 to \$25,000 effective 1st July 2009. For those aged 50 years or over, the transitional contributions cap will be reduced from \$100,000 to \$50,000. The transitional contributions cap will continue to apply for the 2009/10, 2010/11 and 2011/12 years after which it will reduce to \$25,000.

There is no proposed change to the non-concessional contributions cap i.e. \$150,000 per year or \$450,000 under the “bring forward” provisions.