

# Focus

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## Government Moves to Ban Commissions

The Federal Government has announced it will ban all adviser commissions and volume bonus payments from 1 July 2012. The exception to the ban will be commissions on risk insurance, which the Government says '... will be considered at a later date.'

The announcement that commissions are to be banned is included in a package of reforms called ***The Future of Financial Advice***, released by the Minister for Financial Services, Superannuation and Corporate Law, **Chris Bowen**.

In what the Minister's office refers to as an 'Overhaul of Financial Advice', Mr Bowen said the reforms "...are designed to tackle conflicts of interest that have threatened the quality of financial advice that has been provided to Australian investors, and the mis-selling of financial products that culminated in high profile corporate collapses..."

'Advisers will be required to agree their fees directly with clients and disclose the charging structure to clients in a clear manner, including as far as practicable, total adviser charges payable, expressed in dollar terms.'

Further, advisers will only be able to charge ongoing advice fees if a payment plan has been agreed with the client, or if the charge relates to the provision of an ongoing service. If the client does not renew the services, the adviser cannot continue to charge the client.

The Federal Opposition's spokesman, Luke Hartsuyker, says the proposed changes could disadvantage low income earners because it would mean higher upfront fees for financial advice.

"But the key issue here is if an individual wants to purchase advice and pay for that advice via commissions rather than having to pay substantial upfront fees, they are prevented from doing so."

The Association of Financial Advisers shares the Opposition's concerns.

"Ultimately it's what's in the best interests of consumers, and our concern is that there are some consumers who in a strictly fee-based model will be unable to access advice from advisers," the AFA's Richard Klipin said.

For further information about this topic, please do not hesitate to speak with your Focus financial adviser.

Source | Riskinfo, ABC News

### Now what?

Focus' view on the Government's proposed changes to financial adviser commission legislation

As a result of the recent **Government** proposed changes to Legislation surrounding adviser commissions, *Focus Private Wealth Management* is placing its full support behind such changes, and becoming an industry leader in providing our clients with a simple and transparent fee structure, for retaining our comprehensive services going forward.

The government changes propose to cease all trail commissions and fees which are paid from investment companies to Financial Advisers. These trails generally are derived as a percentage of the current value of the amount invested. In the past, this model was seen by Focus to be the most streamlined way of allowing our investors to retain and pay for their **ongoing services** of their Focus financial adviser, after the initial investment was made. Focus have been providing this fee for service model to our Private Wealth clients for over five years. Typically it is vital for our investors to retain their ongoing services with their financial adviser for the following reasons;

- To provide streamlined information when completing yearly taxation and administration.
- To regularly review investments and make changes when an investor's situation changes.
- To monitor global economic activity and make changes to investments in line with market fluctuations, and keep the investor informed of all activities.
- To provide opinions and solutions when clients are faced with making financial decisions.
- To provide planning for retirement, and throughout retirement.

- To Assist their clients when meeting with Accountants, Lawyers and Centrelink etc.
- To primarily ensure that their clients make correct financial decisions.

In an attempt to provide greater clarity around fees, investors seeking to retain ongoing financial advice in the future will be furnished with a clear schedule and fixed fee arrangement with their adviser. In most cases these amounts will be similar to the current amounts being paid from investment companies, on the investor's behalf, and should in no way reduce the investors overall wealth.

As a leader in providing comprehensive full service with transparent fees, Focus Private Wealth Management would like to invite our clients to retain their services with Focus by contacting their Focus financial adviser and discussing how a **fixed ongoing service fee agreement** can benefit their financial position moving forward.



### Investment Dictionary

What does a **Champagne Stock** mean?

A slang term used to describe a stock that has appreciated dramatically. A *champagne stock* is one that has made shareholders a great deal of money, typically one that has at least doubled or tripled in value in a relative short period.

What does **Kangaroos** mean?

Slang term for Australian stocks, it refers mostly to the stocks on the All-Ordinaries Index, which is comprised of around 300 of the most active Australian companies.

Source | [Investopedia.com](http://Investopedia.com)

## Interest Rates

### How to cope with interest rate rises

Rate rises are going to start to hurt, but there are some things you can do to lessen the pain of interest rate rises and it's worth exploring these so you don't end up paying more in interest than you need to.

We've recently had our fifth interest rate rise in five months and possibly another one this month. For many of us, rate rises are going to start to hurt. But there are some things you can do to lessen the pain of interest rate rises and it's worth exploring these so you don't end up paying more in interest than you need to.

#### 1. Consolidate your loans

If you have a number of different loans - a car loan, a personal loan and a credit card, for example - it's worth consolidating these into one loan. Look for a bank that will offer you a low rate if you transfer a number of debts into the one loan.

But take care to read the fine print - some banks charge an attractive interest rate in the first year if you consolidate your loans with them, but you can end up paying above-market rates in subsequent years to make up for the low rate they offer to get your business initially. Be careful though because you still need to pay the new loan off as quickly as possible because interest will keep mounting.

#### 2. Fixing a portion of your home loan

You'll have to crunch some numbers (or speak with your Focus financial adviser) to work out whether this is a good option for you, but if you decide to fix all or part of your loan now you may end up paying less in interest in the future as rates are expected to keep rising for some time.

But take care to ensure the fixed rate the bank will offer you isn't too high - some banks fixed rates are already well over long-term interest rate trends, meaning you may end up paying more than you need to.

#### 3. Think about changing lenders for your mortgage

You have to be careful taking this approach because many lenders charge a penalty fee if you switch lenders. But if you do your sums and work out that you'll save more in interest over time by switching lenders than you'll pay in penalty fees, then it could be worth taking your business to another bank.

Even just letting your bank know you're talking to other lenders might prompt them to give you a rate reduction to keep your business.

#### 4. Pay more than the minimum amount on your loans

The faster you pay off your loans, the less you'll pay in interest. If you can try to pay off more than the minimum amount each month, you'll pay off your loans sooner and save money on interest on the way through.

It's worth remembering that even though rates have risen rapidly over the past six months, we can expect further rate rises into the future. To be prepared, do a comprehensive budget and work out where cuts to expenses can be made so you have extra cash to put toward loan repayments so you're not too stretched in the months ahead.

Please be advised that before acting on any of these suggestions we recommend you consult with your Focus financial adviser for advice on whether these strategies would suit your existing financial position.

Source | Yahoo Finance, Koch



## Financial Health Check Reviews

### End of Financial Year Financial Health Check Reviews

With the end of the 2009-10 Financial Year almost upon us, our focus advisers are currently looking to meet with all of their clients for an overall **Financial Health Check Review** and to also offer their advice and expertise to any opportunities and strategies that they feel would benefit their client's current financial situations. Our Focus advisers will be primarily looking into the following areas:

- Tax minimisation opportunities,
- Investment/Superannuation portfolio investment choices and investment returns (reweighting portfolios to match our client's level of risk and desired return),
- Special investment opportunities to take advantage of the current market up swing,
- Implementing fixed fee arrangements for our client's ongoing Focus service fees,
- Reviewing our client's financial goals and making sure they are on the right path in achieving them.

This is a great opportunity for our valued clients to meet with their Focus financial advisers prior to meeting with their accountants, and to have a complete review of their current financial situation moving forward into the new Financial Year. Please be advised that this financial review meeting with your Focus financial adviser is **absolutely free**, no charges will apply for your adviser to review your situation, as it is one of the many unique services Focus offers its clients.

Should you wish to arrange a meeting with your Focus financial adviser, please do not hesitate to contact our Brisbane office on 1300 731 372 or the Gold Coast/Tweed office on (07) 5596 5530 to arrange a meeting time/date. Due to an overwhelming positive response we have so far received from our clients, we encourage you to contact us at your earliest convenience to lock in a date/time that best suits yourself.

## Focus on Opportunities... INSTREET MAST ARC

### Overview:

The Instreet Mast Absolute Returns from Commodities (ARC) offers an investment solution with a 100% investment loan. Through specialised research and development, Instreet has identified an index that has the potential to perform in bull, bear and sideways markets. For relative low annual payment of interest, investors have access to absolute returns from commodities, with known downside risk.

### Benefits & Features:

- Average Annual Performance 14.6% p.a. (since Oct 97) with uncapped upside\*
- 100% investment loan with no credit enquiries
- Interest rate of 6.35% per annum
- Option to walk-away prior to Maturity Date
- Annual payment of gains:
  - Coupon payment end of years 1,2 and 3
  - DPA payment end of year 3


For further information on Instreet's Mast ARC investment opportunity, please do not hesitate to contact your Focus financial adviser today or visit [instreet.com.au](http://instreet.com.au). \* Please see Product Disclosure Statement for further information.

## The Henry Tax Review

What It means to you

What was announced	What might be coming soon
✓ Super contributions to rise to 12% by 2020	? Changes to make it simpler for workers to lodge their personal tax returns
✓ New tax takes 40% of big miners' profits	? Tax cuts on interest earned on savings
✓ Company tax rate reduced to 28%	? A flat tax rate for all individuals
✓ Small business to benefit earlier	? Scrapping work-related deductions, replacing them with a standard rate
✓ Workers earning up to \$37,000 will get a concession of up to \$500, cancelling out tax paid on super contributions	? A much higher personal tax-free threshold of \$25,000

*"These changes depend entirely on the successful implementation of the Resource Super Profits tax"*  
Treasurer Wayne Swan



**AUSTRALIAN workers will be better off to the tune of up to \$108,000 at the time of their working lives after the Federal Government confirmed it would introduce a big new tax on mining companies.**

Employers will be required to increase their superannuation contribution from 9 per cent to 12 per cent by 2019-20.

The changes, which are the Government's response to the Henry tax review, will be phased in over the seven years starting in 2013, and will give employees who are aged 30 an extra \$108,000 in super savings, the Government estimates.

The announcement is part of a "first wave" of tax reform which focuses on superannuation and company tax, which were recommendations in the review.

Changes announced on Sunday:

- Super contributions to rise to 12 per cent by 2020
- New tax takes 40 per cent of big miners profits
- Company tax to be cut 28 per cent in 2013/14
- Small business of benefits a year earlier
- Workers who earn under \$37,000 will get up to \$500 a year from the Government, effectively cancelling out any tax these workers pay on their super contributions.

The release of the Government's "first wave" of reform doesn't include the expected changes to tax on savings accounts or making tax returns easier. But those changes are in the review, and Wayne Swan told the media pack yesterday that the government is "strongly in favour" of the recommendations around making tax time easier for working Aussies.

Source | [News.com.au](http://News.com.au)