

Focus

July 2010



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Fee For Service

Fixing Your Portfolio Service Fees

As you know, we are undergoing exciting changes at Focus and we would like to thank all our Private Wealth Clients who have already implemented their fixed Fee For Service Agreements to move forward with us in the future.

While Focus has been providing its Private Wealth Clients with fee for service arrangements based on their funds under management for many years, the Government's proposed legislation changes has seen the trend in the financial services industry shift to provide clients with fee for service arrangements based on the complexity of their financial affairs.

This gives our clients many advantages including access to our extensive knowledge and experience in regard to all aspects of their financial wellbeing. We're just a phone call away - all for a fixed fee.

Focus' Fee For Service Agreements have been created with a view to deliver greater clarity around the new model, to deliver certainty during volatile markets and to allow our clients to retain their ongoing financial services with Focus.

As a leader in providing comprehensive full financial services with transparent fees, Focus would like to encourage those clients who have not yet implemented their agreements to do so in order to retain their ongoing services with us.

Should you like further information on Focus' fixed Fee For Service Agreements, please do not hesitate to contact Focus today on 1300 73 13 72 or speak with your Private Wealth Adviser.

Financial Planning

What Does a Financial Planner Do?

As Financial Planners, we are here to help our Private Wealth Clients to create wealth and protect their most valuable assets. To our clients, our Private Wealth Advisers act as their Chief Financial Officers (CFO), their first point of contact should they require any assistance or advice on the full spectrum of their financial universe - from business finance to personal banking. As a CFO, they are here to understand and to provide financial knowledge, skill and advice where requested. All that for a fixed fee.

What type of financial issues do Financial Planners commonly encounter?

- Clients with no specific investment plan for retirement,
- Clients with large tax payable positions,
- Clients with large debt levels without the necessary insurance cover,
- Clients who have not protected themselves against loss of income,
- Clients who are either buying or selling an asset,
- Clients who are inheriting assets,
- Clients who are retiring or receiving a lump sum payment,
- Companies with multiple owners, without a buy/sell agreement,
- Clients looking for advice on personal, non-superannuation investment strategies.
- And many more...

First Step Towards Achieving Your Financial Goals

Take the time to contact one of our friendly Focus Private Wealth Advisers today and request to arrange a non-obligated appointment to review your current financial situation and to discuss your financial goals and objectives.

Managed Accounts

Legislation to Drive Managed Account Boom

Managed Accounts are set to boom as legislation forces groups to change business models and clients demand more transparency and better after-tax results on their investments, according to industry leaders.

Institute of Managed Account Providers chairman Tony Potter said the government's Future of Financial Advice reforms were "fertile ground" for managed accounts and would drive sustained growth in the sector.

Source | Morningstar.com.au

Catalyst Asset Management

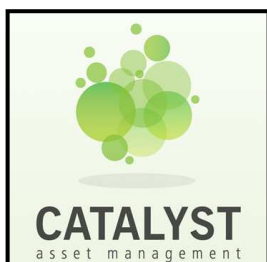
Advantages of Focus' Managed Account Service

Focus' Catalyst Asset Management is all about greater active asset management and having the ability to increase the response times to changes in market conditions, so that our clients can take advantage of changing market conditions when they happen. As part of Focus' ongoing asset management strategy, we will be using the Catalyst Managed Discretionary Account (MDA) as the central hub for our client's wealth management.

This style of MDA asset management is similar to that of the European Private Banking Models, where we will act as the trusted adviser at the hub of relationships with accountants, banks, brokers, lawyers etc; to ensure that our Private Wealth Client's wealth and financial objectives are being managed and achieved.

Investors will also have online access to their Catalyst portfolios and will be able to generate consolidated tax reports and detailed portfolio valuations quickly and easily.

For further information about Focus' Catalyst Managed Account Service and how it may benefit your financial position, please do not hesitate to contact your Focus Private Wealth Adviser today.



Interest Rate Update

RBA Tipped to Sit Tight

Borrowers are set to be spared a rate rise for at least another month, with economists tipping the Reserve Bank will leave monetary policy unchanged this month.

All 16 economists surveyed by AAP forecast that the RBA would leave the overnight cash rate at 4.5 per cent for a second consecutive month at the board's meeting on Tuesday, July 6.

Concerns about sovereign debt in Europe and weak economic data in the US recently have sent jitters through financial markets because the recovery in the world economy is looking slower than had previously been expected.

RBC Capital Markets senior economist Su-Lin Ong said the RBA would stay on hold this month.

"It is a combination of the very uncertain global backdrop and increasing downside risk to global growth," Ms Ong said.

But nine of the economists predicted that the RBA would lift the cash rate by a quarter of a percentage point to 4.75 per cent after inflation data for the June quarter is released on July 28.

This would increase monthly repayments on an average \$300,000 mortgage for 25 years by \$69.

UBS senior economist George Tharenou forecast that the RBA would lift the cash rate in August.

"Recent comments from the RBA clearly indicated a desire to see the next CPI (consumer-price index) point to assess the inflation outlook," Mr Tharenou said.

The central bank uses monetary policy to keep inflation between 2 and 3 per cent over the economic cycle. Inflation, as measured by the CPI, was an annual 2.9 per cent to March 31, Australian Bureau of Statistics data showed.

Despite inflation being at the top of the RBA's target band, debt futures markets are pricing a 40 per cent chance of a 25 basis points cut to 4.25 per cent by the end of 2010 and no rate rises over the subsequent year.

Source | AAP

Mining Tax Update

Government Announces Changes to Mining Tax

Following the recent consultation with the mining industry, Prime Minister Julia Gillard has announced major changes to the taxation of resources sector profits.

Impact

Getting an agreement with the major mining companies about how the industry will be taxed has removed a major cloud hovering over the economic outlook. Growth over the next year will be heavily dependent on business investment, and that is overwhelmingly being driven by the mining sector in 2010-11. Before the Resource Super Profits Tax (RSPT) was announced, mining companies were planning to increase investment by 30%. Now that the major firms appear to be more comfortable with the shape of the revised taxation arrangements, there is good reason to think much of that planned investment will come through.

The Government has made major concessions to the mining companies (details listed below), but the impact on revenue - \$1.5bn over the forward estimates - appears quite small. This, of course, is crucial to the Government's objective of getting the budget back into surplus by 2013.

The question is how do these numbers stack up? Well, if the starting point is the \$12bn that the Government was originally planning to raise in the first two years of the RSPT, less the \$1.5bn of net revenue loss provides a new starting point of \$10.5bn. However, the Government is also abandoning the exploration rebate, which will save them \$1.1bn, which brings us to \$9.4bn of additional revenue. Furthermore, the Government will now only cut company tax to 29% rather than 28%, which will save them another \$1bn and suggests that the revised tax will now raise \$8.4bn rather than \$12bn, which is a 30% reduction.

The other question is whether the revised package will still be approved by parliament. Up till now, the Opposition has vowed to oppose any new tax on the mining sector and rescind it if they get elected. Meanwhile the Greens, who may well hold the balance of power in the Senate after the election, appear to want a tougher tax on the mining sector. Thus, just as with the Government's proposed Carbon Pollution Reduction Scheme (CPRS), even if the Government is re-elected there is still a chance that the legislation could struggle to get through the Senate because it is too onerous for the Coalition to accept, but not onerous enough for the Greens.

Key Features of New System

The Government has announced that the taxation of resource sector profits will fall under two different regimes:

- 1) A new Minerals Resource Rent Tax (MRRT) - applying to iron ore and coal only,
- 2) Extending the current Petroleum Resource Rent Tax (PRRT) - applying to all Australia onshore and offshore oil, gas and coal seam methane projects.

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Continued...

Minerals Resources Rent Tax (MRRT)

- Tax applies from 1st July 2012,
- Profits based tax at a rate of 30%, compared to 40% under the RSPT,
- Tax kicks in when profit exceeds the long-term bond rate plus 7% (i.e ~ 12%),
- Applies to coal and iron ore only and excludes small miners with resource profits below \$50m per annum,
- Assessable profits calculated on the value of the commodity determined at its first saleable form, less all costs to that point. Any value add beyond this point is not subject to the additional tax,
- Projects entitled to a 25% extraction allowance, which reduces taxable profits subject to the MRRT,
- Government will allow miners to use either book value or market value as the starting base for project assets. This is potentially a much more generous allowance for those firms with old but valuable mines,
- The market value of investments can be written down over a period of up to 25 years, while new investment post 1 July 2012 can be written off immediately, rather than over a number of years,
- MRRT losses will be transferable to other iron ore and coal projects within Australia - i.e companies can use deductions to offset the MRRT liability on other projects,
- The resource exploration rebate (proposed under the RSPT) has been removed.

Petroleum Resources Rent Tax (PRRT)

- The current PRRT scheme which only applies to offshore petroleum projects will be extended to cover all oil, gas and coal seam methane projects - both onshore and offshore Australia,
- Continues to apply at a rate of 40%,
- Companies can elect to use market value as starting point for project assets.

Impact on Federal Budget

- Company tax rate will still be reduced to 29% in FY14, but the reduction to 28% in FY15 has been cancelled. Small business will still receive the lower company tax rate one year earlier (in FY13),
- Resource exploration rebate will not be pursued,
- No change to superannuation reforms that were announced previously,
- Net impact is a reduction in Budget revenue by \$1.5b over the forward estimates.

Source | Macquarie Economic Research