

21st May 2009

Dear Clients and Friends,

The federal budget has come out and has made some major changes to our financial environment. If you are a client and I felt the budget concerned you directly, then I have already contacted you.

The main change in the budget is that the government has moved from endless surpluses to being deeply in debt for a long time in the space of 12 months. This has a lot of long-term consequences for us.

The main specific changes are:

- The lower limits on tax-deductible contributions to super. This means that we need to seriously look at super around the age of 40 – 45, not 50. In the past it was possible to put a lot of money into super in the years before retirement. This is getting harder and harder.
- The increased pension age, i.e. the age pension won't be available until age 67 for those born after 1/1/1957 (66.5 after 1/7/55, 66 after 1/1/54, 65.5 after 1/7/52). This is good in one way because people will take better care of their body so they can work longer. However, the great concern is that the government will make access to super more difficult for those between 55 and 67. If the past is any guide, then current super balances will be accessible under the existing rules while future super contributions may be more restricted under new rules. These rules, if any, are not known at this stage.
- Single pensioners get an extra \$32.49 per week, couples \$10.14.
- It will still be compelling for low-income earners to use the government co-contribution but the benefits will be less for a few years.

The overall picture is one of confusion. The previous government had a clear plan to make super into a large incentive to keep people working after 60. The current government is still finding its feet. Super is nevertheless a great idea but putting lots of money into super late in your working life has got harder and we can expect a lot more changes with the super rules.

The main benefit of super is that we save a lot of taxes by putting money into super and keeping the money there. Because this is now more difficult for high income earners, many people will have more investment money outside super and can be expected to put this money into the most tax effective investments, namely property and shares. When many people change their behaviour this can change the overall investment environment.

Governments all over the world are borrowing enormous amounts of money and have pumped further large sums into the banking system directly and via government guarantees so that their banks will survive. This may lead to inflation and therefore higher interest rates in the medium term.

Higher inflation has lots of consequences, some of them good, many of them bad. There are ways to prepare yourself and you can talk to me if you are interested.

I feel optimistic for the Australian economy. We seem to be far more resilient to economic shocks than most of the rest of the world. Being a high-tech economy that is also a large commodity exporter seems to be one of the best ways to be in this world.

The current time is one of consolidation. It could be very valuable to look if we are leaking money anywhere or whether we have enough life insurance or income protection insurance or whether our wills are in order. There are also quite a few investment opportunities in these unusual times. I am very happy to assist you in any of this.

As always, please feel free to contact me if you wish to discuss these or any other issues.

Kind Regards,

Christoph Schnelle



Christoph Schnelle

Adv. Dip.FS(FP) Appointed Representative 308223

'Providing clear and up-front financial knowledge -
so that the client is truly served by being completely informed.'

In Your Interest Financial Planning

<http://www.inyourinterest.com.au>

telephone: 02 6677 1198

facsimile: 02 6677 1194

mobile: 0415 888 884

postal address: PO Box 62,
Burringbar, NSW 2483, Australia

In Your Interest Financial Planning is an Authorised Representative No. 308161 of FYG Planners Pty Ltd, AFSL No. 224543.

This email and any files transmitted with it are confidential and are only for the use of the person to whom they are addressed. If you are not the intended recipient, you are hereby notified that any use, dissemination, forwarding, printing, copying or dealing in any way whatsoever with this email is strictly prohibited. If you have received this email in error, please reply to us immediately and delete the document. Internet emails are not necessarily secure. In Your Interest Financial Planning does not warrant that the information contained in this email is free from viruses, defects, errors, interception or interference. Any views expressed in this message are those of the individual sender, except where that sender specifically states them to be the views of In Your Interest Financial Planning. If you do not wish to receive any further emails from us, please reply to this email with the word unsubscribe clearly noted in the subject field.
