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This week's items of interest

Super commissions

There has been renewed debate recently around the issue of Financial Planners receiving commissions on retirement savings especially the 9% compulsory super amounts. Senator Nick Sherry has been reviewing this situation for some time now and has been saying fees on super need to come down. Tuesday and Wednesday last week saw newspapers with huge headlines around fees and the forthcoming review.

The Financial Planning Association, which is the peak body for the financial planning industry, last week released a consultation paper which seeks to discuss financial planner remuneration. They are suggesting we do need to move in the general direction of removing fees on compulsory contributions. In fact they are proposing this be done over the next three years.

Industry funds have been bombarding us for years now about the need to not pay an adviser any fees to maximise retirement benefits. I wonder who people think actually pay for all of the ads, sponsorship, salaries, offices, computers, phones etc. and they get very little proactive personalised advice for the fees they do pay.

Most industry funds charge about \$1 per week which may be good for some people but not really for others. The costs I mentioned above surely would cost more than the \$1 per week so someone is paying for them somewhere?

Many in our industry would argue that whilst commissions are an important facet of the debate they are only one part and there are bigger issues to focus on. Helping people to get access to good advice at a fair and transparent cost should be of the utmost importance. Things are changing so rapidly most people would struggle to keep up with what they should be doing or what benefits they are entitled to.

We are primarily a fee based advice practice. That is we state a fee amount clearly in our documentation and many clients pay this via a cheque. Some of our clients however tell us that they would prefer our fee to be charged to their super fund rather than for them to have to pay out of their own cash flow. So long as the client gets value for the fee they pay I do not see how either way makes a difference.

It will be interesting to see where the debate ends.

Interest Rates

Most people would have heard that many commentators are predicting interest rates will remain on hold at 3%. Many are predicting though we will get further reductions later this year though.

The Budget & End of Financial Year

I would like to remind people about the looming deadlines coming up in the near future. We will have a budget handed down next Tuesday and we have spoken about what may or may not be included.

Those who have the funds available or who are considering implementing a strategy should do so now as it is unlikely from all the talk going on that we are going to be better off to do it after budget night.

The other deadline is the end of financial year. There are many changes coming into effect on July 1 so anyone who has a salary sacrifice arrangement in place or benefits from the "10% rule" regarding deductible super contributions should seek advice to ensure their strategy is still sound.

The changes in the way Adjusted Taxable Income will be calculated will have ramifications for many others including those receiving the Commonwealth Senior's health care card, HELP repayments and Mature Age Workers Tax Offset.

Australia's Great Underinsurance Problem

I read an article over the weekend which shocked me greatly. To put this into context though, we have to understand that the average Australian mortgage is now over \$300,000. The average insurance death benefit payout was \$91,000. This means that on average every time there is a death it is possible that someone is left owing over \$200,000 on a mortgage. That could lead to financial devastation.

People should review their insurance cover regularly and for the very small cost make sure their debts are covered at least.

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