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What is the Value of Good Advice?

It concerns me greatly when I hear people saying financial advisers only do things to receive commissions which erode the value of our investments. Often financial planners do not get adequate recognition for the very good things they do for their clients. No doubt there are some people in the profession who leave a bit to be desired but in my experience this is minimal and can occur in every industry. The vast majority of planners are extremely professional, hard working and manage to help their clients enormously by helping to map out a clear direction for their future but by also helping them to avoid pitfalls. It is hard to put a value on avoiding the pitfalls!

The world is changing rapidly and many of us have been and are continuing to go through some tough times. Recently we have seen the collapse of many companies which have adversely affected investors. Great Southern and Timbercorp are two recent examples that come to mind. Many have suggested that the whole agribusiness and managed investment scheme opportunities are fatally flawed, however this is not the case and the ATO agree with me here.

Fortunately for us as a business we chose as a general rule not to deal with these companies. Our research suggested there were better offerings out there. We have been recently talking to clients who unfortunately have exposure to these companies. In some cases they were encouraged to go into these investments for the wrong reasons and are now faced with large debts and a whole lot of uncertainty about the value of the investment.

This is where the value of advice comes in. If they had used this type of investment as a diversification strategy, diversified within the various providers and limited their exposure to only a small percentage of their portfolio few would suggest that this is not a reasonable strategy. Unfortunately people were being licensed, seemingly solely so they could promote these investments and appear to have not taken the individuals overall circumstances into account. These people are not advisers! They only give advisers a bad name and this does not reflect what value an adviser truly offers.

Make sure you deal with a reputable business.

Pension Age Increase.

The increase in pension age announced in the budget has upset some people but I uncovered some interesting facts recently.

Do you know when the pension age was set at 65? 1909 100 years ago!

Obviously life expectancies have increased somewhat since then. In fact they have from 11 years for men over this age to almost 20 years now.

In under 30 years time 25% of the population will be of age pension age. That is double what it is now.

A good financial plan can help you to not have to worry about the government handouts.

Concession and health care cards

There are three types of concession cards that people can access if eligible and all 3 cards entitle you to reduced cost medicines under the Pharmaceutical Benefits Scheme (PBS).

Commonwealth Seniors Health Care Card

We are seeing many people who would not have been eligible for the Commonwealth Seniors Health Care Card had the proposals been introduced. In the budget announcements the government abandoned the idea of counting previously exempt Allocated Pension or super income and this now means a huge number of people who would not have been eligible will now continue to be eligible.

Health Care Card and Pensioner Concession card

A Health Care Card and Pensioner Concession card may also entitle you to a range of additional subsidies including health, transport and educational concessions. These concessions are the responsibility of the provider and may vary from state to state.

Talk to your adviser to see if you are eligible.

The Greatest Opportunity for Super Investors Since 2007

With the announcement of the 50% reduction in contribution caps the time between now and the end of the financial year is the single greatest opportunity since the government allowed people to put up to \$1 Million dollars in super. I know there will be people out there who will be saying that super has only lost money recently but they need to understand this makes it a doubly sensible strategy to get as much money in now. If they do they will maximise the tax benefits but they will also be buying historically very cheap assets.

Even if you are unsure about going into property or share based investments getting the extra cash if you have it into super is a must.

A big warning here though!

Recently the tax office sent out to many people letters stating that they had contributed too much to their super fund. This can have disastrous effects if you are in this boat. Tax rates could be as high as 93% if you exceed the limits. Quite often people do this unwittingly but the tax ramifications if you do get it wrong are enormous.

We have seen people who potentially have tax bills in the tens of thousands and sometimes hundreds of thousands of dollars. It can be too late to do something for these people but often with sound advice we are able to help.

Once again the short answer is use a good financial adviser to guide you. Make sure they are licensed, preferably a member of the Financial Planning Association and that they don't just recommend one product or strategy.

You may not ever fully understand the true value they offer but from situations we see I can assure you it will be a lot.

As always we would love to help so for a complimentary appointment call 3252 9990 or visit www.rodneygibson.com.au.

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