

Independent

Retiree



Newsletter of the Association of Independent Retirees Ltd Port Macquarie Branch

May 2010

From The Chair:

Hello Everyone,

Well at long last the Henry Taxation Review has been released – well, a very small part of it has. Mr. Henry's Review contained 138 recommendations but our Federal Government at this stage has released only 4 of them. But we have not heard the last of Mr Henry. At the time of writing this piece we are only days away from the 2010 Federal Budget, which I'm sure will contain many more of Mr Henry's recommendations. As I heard some say at the DMC meeting in Sydney - "Watch out for the Nasties in the Budget".

Talking of the DMC meeting, we had a surprise visitor. No it wasn't Theresa Kot our AIR president; it was none other than Senator Bronwyn Bishop, Shadow Minister for Seniors. Seniors, so Bronwyn informed us, are people from the age of 50+ and we make up 40% of the voters in the country. I'd like to share a couple of interesting facts she passed on to us - Kidney failure accounts for the highest number of hospitalised patients due to diabetes, and 20% of health costs in Australia is due to the ageing population. My opinion of Senator Bishop is "She is one very smart Cookie".

I know it's early days yet, but our AGM in July is not all that far away. If you feel you have something to offer and are contemplating joining the Committee why not come along to our next Committee meeting in June. There could be a budding President, Vice President etc. amongst you.

As always, looking forward to seeing you all at our meeting on May 28th.

Cheers, Wendy

Committee Meeting: Wednesday, June 14, 2pm Port City Bowling Club. Members welcome.

Investment Meeting: Saturday, June 19, 2pm Port City Bowling Club. Members welcome.



Henry Tax Review

The much anticipated Henry Review of Taxation which offered 138 recommendations in a 971 page document has been largely shelved by the Rudd Government, with only four of the proposals adopted so far. As predicted only those recommendations most likely to win favour with the electorate have been seized on by the government (Well, there is an election looming). The nasties have been put away to surface another day, perhaps.

There is little joy for retirees. Compulsory super will be extended to workers aged 70 to 74 to encourage them to remain in the workforce. But the over 75s with no super appear to have been completely ignored once again and the opportunity the review presented to end the taxation discrimination of older Australians has been lost.

The government will extend permanently the transitional \$50,000 cap on concessional contributions made on behalf of people aged 50 and over, although from July 2012 this will only apply to people with super of less than \$500,000. Those with more super will be limited to the \$25,000 cap.

The government decision to slowly lift compulsory super contributions from 9% to 12% from 2013 to 2019 was not a recommendation of the Henry Review which had advised against such a move and had instead proposed that the 15% tax on super fund earnings be reduced to 7.5%.

Guest Speaker this month

John Joyce
Proprietor, Port Travel

Friday May 28th at 2pm

Senior Citizens Centre
Munster Street, Port Macquarie

June

Guest speaker will be

Dr David Gillespie
National Party Candidate for Lyne

Friday June 25th at 2pm

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So people coming up towards retirement have been considered but those of us already retired have been forgotten.

The government has not ruled out the Henry recommendation for a simplified tax system but appears to have cast aside the idea of a flat tax rate which would cover all but the wealthy. The review proposed no tax on earnings up to \$25,000, followed by 35% tax up to \$180,000 and 45% for those in the top margin. Under the Henry Review bank interest would be taxed at a lower rate and gone would be the Medicare levy as well as tax offsets, including those for seniors, pensioners and low income earners. The government has said "no" to these ideas.

The government had already adopted the recommended 25% increase in excise tax on tobacco but has gibbed at the proposed increase on wine.

Not surprisingly the government has ignored the Henry land tax proposals which would have included the family home, the congestion tax on cars, higher tax on capital gains, cutbacks to negative gearing, a tax on bequests and annual increases in petrol tax. But don't be surprised if we see these gradually emerge in the future.

So instead we have the 40% super tax on the mining industry as the major selling point prior to the election (have the ramifications been considered?), along with a cut in company taxes, a small business bonus (for some) and the increase in super contributions.

Unless it's in the fine print somewhere I don't see the words "self funded retirees" mentioned anywhere. Do you?

An adult is a person who has stopped growing at both ends and is now growing in the middle.

Energy Rebate

Will the surprise government decision to delay its Emissions Trading Scheme (ETS) until at least 2012 mean the postponement of the expected huge increase in electricity charges? Power costs were set to increase by up to 13% for NSW households in July and by as much as 64% within three years with the introduction of the Carbon Pollution Reduction Scheme. We were told Country Energy customers could expect more than \$900 extra a year in 2013. But even if the scheme was not introduced we were warned to expect an increase of some \$600. There will, however, be some relief for those with a pension card. The state government announced last month it would increase the pensioner energy rebate to \$145 initially and link the rebate to the electricity price increase index in the future. An energy price comparison web site has been set up to allow customers to shop around for the best price. Whatever happens we can rest assured electricity prices will not come down.



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Commissions Banned

The federal government has announced plans to stop financial planners and consultants receiving commissions from banks and other financial institutions for pushing their products. The new measures, to start from July 2012, are in response to the Parliamentary Joint Committee on Corporations and Financial Services inquiry (Ripoll report). Commissions, including trailing commissions, will not be permitted and there must be separate fees for product and advice. The government will also look at introducing a statutory fiduciary duty so that financial advisers must act in the best interests of their clients and expand the availability of simple low cost advice. ASIC's powers will be strengthened in relation to licensing and the banning of people from the financial services industry. The government is also looking at reversing the current situation where accountants do not need to hold an Australian Financial Services licence when setting up a self managed super fund. While both the FPA and AFA have supported the broad thrust of the reforms they have expressed some concerns around

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the impact on the industry which they plan to raise with the government. Banning commissions denied the consumer the right to choose how they pay for advice and could drive up the cost of financial advice, they say.

AIR Wants More Change

AIR has made recommendations to ASIC for better control of financial institutions but ASIC has said it does not intend to take any further action on the issues raised. AIR says the government should take further action to correct existing anomalies as a means of rebuilding confidence in the property sector. Our association has strongly pushed the plight of members who have funds and/or income frozen in property trusts for long periods of time and will continue to fight for better control and better accountability in this sector.

April AIR Active has some good information on problems with investment products and advice. Go to www.independentretirees.com.au and click on Publications.

It's not the years in your life that count, it's the life in your years.

ATM Skimming

Automatic teller machine (ATM) skimming is increasing. The scammers attach a camera and a device that picks up data from a card to the ATM. They are usually designed to steal both the magnetic strip and PIN and are so clever they look like part of the machine. To see how the devices work and what they look like search for "ATM skimming" on the search engine of your computer. Once the thieves access your card details they can create a fake card which allows them access to your savings or credit card accounts. You won't know there's a problem until you use an ATM again or attempt an EFTPOS transaction and find your account has been emptied or your card has reached its limit. It pays to check an ATM carefully for hidden devices before use, especially if it is not one you regularly use, or is in an unfamiliar area. Look for signs of tampering such as scratches or adhesive tape. Make sure you can see a flashing indicator light around the entry of the card reader slot as skimming devices commonly obscure this light. If the ATM looks suspicious, naturally you won't use it but it is important to report your concerns to the ATM owner immediately.

UK Pensions Decision

The European Court of Human Rights has ended an eight year battle between expat British pensioners and the UK Government with its decision that UK pensioners living in Australia will not be eligible for indexed pensions. The decision will affect about 250,000 British pensioners living in Australia. Expats in countries outside the Commonwealth, including Turkey, the US, Israel and Jamaica, do receive indexed adjustments. Community Services Minister Jenny Macklin said the court ruling was another blow to UK pensioners in Australia who had paid into the UK National Insurance Fund in good faith. She described the UK practice of refusing indexed pensions to residents of Commonwealth countries while providing full indexation to others as discriminatory.

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 **Judy Carr**
Branch Manager
Shop 49, Port Central Shopping Centre

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High Cost Aged Care

A national survey based on the first half of this financial year found 55% of our nursing homes are running at a loss. Last year's Senate committee inquiry into aged care raised the same concern. Costs have been found to be escalating faster than increases in funding through government subsidies following a survey of 700 nursing homes last year, even though the government spent \$9.1 billion on aged care in 2008-09. It has been suggested there needs to be a user-pays system with more facilities using bonds from residents as a way of earning interest to help fund the homes. Lobby group Aged Care Crisis has proposed the nursing home equivalent of the MySchool web site so consumers can compare information about facilities.

Being over the hill is better than being under it.

Some Good News

There has been some good news for retirement village residents with the decision to drop a clause from the newly enacted NSW Retirement Villages Regulations which would have made residents financially responsible for maintenance work such as painting external walls. The clause was removed just prior to the implementation of the new regulations on March 1. Under the clause residents would have been responsible for the cost of such things as work to repair defects to capital items and replacement of non fixed capital items.

Health Insurance

National AIR president Theresa Kot has drawn members' attention to changes in some health insurance policies in the April AIR Active. For instance, although the Australian Health Management policy premium went up by \$12.75 a month closer reading of the policy informed clients they needed to upgrade their policy to be fully covered for partial knee and hip replacements in a private hospital. Medibank Private has reduced a number of restricted services under its basic hospital services plan. Excluded will be cardiothoracic procedures, major eye surgery and renal dialysis. So it pays to always read your health insurance policy and not assume it will remain the same. On a more positive note some health funds are paying overweight people to lose weight because of growing claims for lap-banding surgery and hospital treatments for obesity. Australian Unity rewards its members with \$100 for signing up to weight loss programs and another \$100 when they reach their goal. If they manage to stay within five kilos of their goal for five years they can claim another \$150. Other health insurers are giving rebates on gym membership, diet drugs and low calorie meal replacement products. Free access to cervical cancer vaccinations, breast screening, travel immunisation and quit smoking programs are among benefits offered to help keep customers out of hospital.

Dr Daniel Mestric

B.A., M.Aud., M.AudSA (CCP) CCC.A
Clinical Audiologist

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Bonds for Safety

The financial crisis has taught us how supposedly "safe" investments paying "secure" incomes weren't what they were cracked up to be. Many of us have experienced the result of mortgage funds freezing access to capital, unit prices plunging and property backed debentures failing. Bonds issued by the Commonwealth and State governments have always been considered the safest investment but, as one would expect, they pay low interest. Changes are afoot to develop a "retail" market for corporate bonds. The Australian Securities and Investments Commission (ASIC) is expected to soon allow companies to provide short term disclosure documents which, with other measures, aim to encourage more companies to make bonds available in small parcels. The senior research analyst at FIIG Securities Brad Newcombe says investors are probably better off with the big banks' term deposits which are just as safe as treasury bonds. The government's guarantee on deposits up to \$1 million per account will be

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reviewed in October 2011. Rather than removing the guarantee the government is tipped to apply a new lower limit, possibly to new term deposits. In the unlikely event a bank gets into financial difficulty people with term deposits will be among the first to get their money back, followed by bond holders and then shareholders. An advantage of bonds over term deposits is they can be sold before maturity date.

The Budget

The May 11 budget delivered by Treasurer Wayne Swan appears to have completely overlooked retired people, from pensioners to the fully and partly self funded. Those of us with savings accounts in banks, building societies and the like will benefit from the decision to halve the tax rate on interest earned by these accounts, starting July 1 next year. But the 50% reduction applies only to the first \$1000 of interest earned. This was one of the Henry Review recommendations.

It would appear the “no questions asked” tax deductions aimed at making tax returns simpler applies only to wage and salary earners. There is no indication that the tax paying retiree will be able to abandon the old style tax returns for the \$500 “standard deduction” being offered to workers from July 2012. This deduction will increase to \$1000 in 2013. This needs clarification.

Everyone should benefit from the total \$7.3 billion promised in health measures, including the \$2.2 billion for primary care and more nurses.

Also at least some of the \$2 billion allocated to local governments for infrastructure should make its way to the Hastings but it is disappointing there is no new money for the Pacific Highway.

Of course all changes will need to pass the Senate before legislation.

New Property Tax: While we were all engrossed in the Federal budget the NSW State Government quietly slipped in a buyer's tax (called a land transfer charge) on the sale of residential and commercial property worth more than \$500,000. The charge of 0.2% on a sale between \$500,000 and \$1 million rises to 0.25% on a sale of more than \$1 million. Buy a \$600,000 property and the new charge will add another \$200.

Time for a Laugh



A man was humbly praying while riding his Harley along a California beach when suddenly the sky clouded over above his head and, in a booming voice, the Lord said: “Because you have tried to be faithful to me in all ways I will grant you one wish.” The biker pulled over and said: “Build a bridge to Hawaii so I can ride there any time I want.” The Lord said: “Your request is materialistic and selfish; think of the enormous challenges for that kind of undertaking, the supports reaching the bottom of the Pacific and the concrete and steel it would take! It will nearly exhaust several natural resources!”

“I can do it but it is hard for me to justify your desire for worldly things. Take more time and think of something that could possibly help mankind,” the Lord said.

The biker thought about it for a long time. Finally he said: “Lord. I wish that I, and all men, could understand women. I want to know how they feel inside, what she's thinking when she gives me the treatment, why she cries, what she means when she says nothing's wrong, and how can I make a woman truly happy.”

The Lord replied: “Two lanes or four?”

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