

connected

issue twelve winter

the voice of Empire Financial Group

Welcome To Our Latest Instalment Of Connected.

Here we are again at the end of another financial year, and one that has been overall a pleasing one from a business and market perspective.

We've just been handed down another Federal Budget, which as expected laid out some austerity measures that are at odds with the spending and benefits that we had become accustomed to in recent years. Payments we had grown to expect, like the Baby Bonus, have been cut in favour of a much smaller payments and only as part of a Family Tax Benefit payment. The promised increase to concessional superannuation contribution limits back to \$50 000 for those over 50 has been dumped, however offset somewhat by the removal of limitations on those with account balances over \$500 000. Eventually we will be working with a new limit of \$35 000 per annum. There have also been some changes proposed to the taxation of benefits to those in pension phase with earning from the fund over \$100 000. All these factors are discussed further in the newsletter, and we will monitor how this impacts your personal circumstances when you are in for your next review, and make any recommendations as necessary.

The high Australian dollar remains a problem for exporters, which in turn leads to reduced profits to companies and tax revenues for government. While we have all enjoyed the cheaper imports, it has damaged local industries, as we have seen with the recent announcements by Ford to cease manufacturing operations in Australia. One outcome of the desire to drive the Australian dollar down will be to lower interest rates, which we are now seeing at historic lows. This is great news for those with home loans, but not so good news for those holding Term Deposits. We have seen those rates drop steadily from the days of 6% plus, to low 4% and even into the 3% figures. This may require a rethink on what we do with Term Deposits into the future.

On other fronts, investment markets have been pleasing. We have seen a growth in demand for housing in Perth, with quicker sale prices and offers above asking price anecdotally reported in the \$400 000 to \$600 000 band in particular, which is the price range we find generally most popular with property investors. In terms of managed investment portfolios we hold for clients on platform, results have been pleasing with a typical Balanced investor (eg- FirstChoice Multimanager portfolio) returning 17.34% and a Growth portfolio generating 19.85% in returns for the financial year to date. What is important to note is that this is not what one would expect every year, and that

average long term returns are the result of these very good years offset by some years of much lower, even negative returns.

From a business perspective, we are pleased to share with some results from our latest client survey in this newsletter. We had over one third of our clients respond, with some wonderful insights. Some of the key take outs we will act on include changing the frequency of our newsletter from every 3 months to every 4 months, in line with our client's expectations, and increasing the frequency of other market related information. We have got some great ideas for the types of client functions you would prefer and will keep those suggestions in mind when our next get together is due. Otherwise, most of the feedback was not prompting change, but instead reinforcing that we are on the right track with improvements we have enacted over the last 12 to 24 months, so we can continue to move forward with confidence we are meeting your expectations.

To conclude, I would like to acknowledge some changes in our team in the past month. Many of you have got to know Ciara well, and the survey results showed how well received she was by our clients. Ciara's commitments to her young family and the tyranny of traffic from the far northern suburbs have meant she could no longer commit to the growing expectations of the role and time spent on the dreaded Mitchell, and has chosen to seek a job closer to home with different hours. We farewelled Ciara with our best wishes, and she is still doing some casual work for us from home. We have filled Ciara's position internally with Nicole Purchase, who many of you will also know well, moving into the role. To fill the position that is now opened, we would like to welcome Zachary Zucconi. Zachary has recently graduated from Curtin University with a Bachelor of Commerce, majoring in Banking and Finance, which compliments his practical work experience. We are also on the lookout for another advisor to join our team, so stay tuned on the growth of our team.

As always, if you have any questions arising from this newsletter please let us know and we will be happy to answer any of your queries.

■ Raymond Pecotic

FDS - A new document you will receive from us from 1 July 2013

The Financial Services industry, and the way we present our advice to clients, is forever being tinkered with. It definitely keeps us on our toes, and means many man and woman hours are spent updating our systems and processes to keep up.

The latest of these being introduced by our current government is an FDS (Fee Disclosure Statement).

Even though all fees are already outlined in annual superannuation or investment statements, or on bank statements for those who pay us a monthly retainer from their personal or SMSF bank accounts, the government feels that this is not sufficient and that another report should be provided to all clients to reproduce this information. The first of the FDS' are due to be sent out to those with their next regular review due in July 2013.

When you receive notification from us that your next review is due by mail, included in that correspondence will be the FDS, which outlines what you have paid and what services you are entitled to and have received.



Do you need to do anything or act on this?

No, other than the extra paperwork you'll receive it is otherwise business as usual. There are no extra costs or services that are being offered or actions that you need to take. The fees being documented are the same ones that are shown on your investment, superannuation or bank statement, and the services offered are the ones that you are already familiar with depending on your service package. These may include things such as your regular scheduled review, access to our advisers and client services team and invitations to Empire run functions.

If you have any further queries when you receive your first FDS, please contact us on 9323 3000 or alternatively discuss it with us at your next scheduled review.

Empire Awarded Again - Prom King 2013!

Securitor held its annual conference in Brisbane this year, from Wednesday 1st to Friday 3rd of May.

The Empire advisers spent these three 3 days locked away in technical, tax, superannuation, insurance, investment and business development sessions, hearing from leading industry figures.

No conference would be complete without the obligatory evening social events, and the capstone event of the yearly conference is the Gala Ball.

This year's theme was "1950's Prom Night", with the stunning Brisbane Town Hall transformed into a 1950's school Prom environment, complete with 1950's themed comperes, singers and dancers.



Like at all school formals, there has to be a Prom King and Homecoming Queen, and our practice principal Raymond Pecotic was (to his surprise) named the Securitor Prom King, outdoing the younger advisers from our group that attended too.

The sash is one award that won't be displayed in our boardroom. Congratulations Raymond!

2013 Budget Overview

Many of you would have already received our Budget summary email the day after it was announced last month.

For those that didn't receive it, or haven't had a chance to read it, there were some key points contained in it that we thought would be most relevant to our clients.

Some of the key highlights worth mentioning are:

Increase in Medicare Levy

One of the main points of the budget was the news that from 1 July 2014 the Medicare Levy will be increased by 0.5%, from 1.5% of taxable income to 2% of taxable income. The Levy will apply to all those taxpayers who are currently subject to the Medicare Levy. This will fund Disability Care Australia, formerly the National Disability Injury Scheme (NDIS).

Baby Bonus slashed

The Baby Bonus will remain in place until 28 February 2014, nine-and-a-half months from now, so those who were keen and thought they'd just make it in on Budget night may get lucky. This will mean that until then, those with incomes of up to \$150,000 a year will receive \$5000 on the birth of their first child and \$3000 for each subsequent baby.

After 1 March 2014, the qualifying threshold will drop significantly. Couples earning over \$101,000 will not be eligible for a bonus for their first baby. The threshold for a second baby will be about \$112,000. For those eligible, the Baby Bonus will be reduced to \$2000 for the birth or adoption of a first child or each child in multiple births and \$1000 for second or subsequent children. This will be paid through an initial payment of \$500 with the remainder paid in seven fortnightly installments.

Superannuation

There were 4 main points outlined in the budget that had been announced prior but reiterated in the budget speech, and are as follows:

- Good news with the introduction of a higher concessional contribution cap of \$35,000 applying to people aged 60 and over from 1 July 2013. The higher cap will then become available to people aged 50 and over from 1 July 2014. The cap will not be indexed in future years and it is projected that the existing concessional cap will reach \$35,000 in July 2018 when the caps will again apply to everyone regardless of age. While the higher cap is now less than the \$50,000 promised to come into effect from 1 July 2014, the requirement to have less than \$500,000 in total superannuation savings has been removed.
- Excess contributions will be able to be withdrawn by individuals who will be able to have them taxed personally at their marginal tax rate. An interest amount will also apply to the excess amount, reflecting the delay in collection by the ATO.
- The tax-free treatment of assets in supporting a superannuation income stream will be limited to the first \$100,000 of earnings on those assets. Earnings above that will be taxed at 15%. It is expected that this threshold will be indexed to CPI and increase in \$10,000 increments.
- For those earning over \$300,000, the Government will be imposing an additional tax of 15% on all of your super contributions.

As always, we will be addressing these changes in the context of individual client circumstances and informing you in changes to your circumstances require any attention.

In the meantime, if you have any queries please do not hesitate to contact us on 9323 3000.

Client Survey Results

Earlier this year, we sent all our clients an online survey, where we asked you about where you saw the best value in our relationship, what we were doing well, areas where you could suggest improvements, and what you'd like to see more of from us.

We are aware that it takes time out of your day to complete these surveys, and that if you are willing to invest the time in providing feedback, you want to know somebody is taking note.

Please be reassured that the exercise of conducting this survey and collating results is not something we would spend the time on unless we took the results seriously.

What was incredibly pleasing was the response we received to the survey, with over 34% of all clients returning the survey. We found this was a fantastic indicator of the level of engagement our clients have with Empire, as it is well outside the expected levels of survey responses which generally sit below 10%.

Overall, respondents were almost exclusively positive, even in areas where feedback was given on areas where they could suggest enhancements. There was one response that was of an overall negative nature.

The 3 areas the respondents highlighted as being the most important part of their relationship with us were, in order of responses:

1. That we explained, discussed and educated you about financial matters
2. Understanding your current financial situation, and;
3. Understanding your investment and insurance needs.

And in those areas we scored an average of 4.3 out of 5 (with being Very Bad and 5 Being Very Good)

Client Survey Results Cont.

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- 1. Newsletters** – 60% of those responded preferred less than 4 newsletter per annum. For that reason we will be reducing our newsletters to 3 per annum.
- 2. Meetings and telephone discussions with your adviser** – Almost 70% of respondents said that one to two face to face meetings per annum were sufficient, with over half of those opting for one per annum. This is something we will be monitoring with individual clients, based on their needs and service packages selected.
- 3. Seminars and/ or social events** – Almost 60% of respondents suggested one to two seminars or social events would be sufficient per annum. We will listen to this feedback and base our activity on this basis, with at least one or both to be scheduled into our planning for the next financial year. We have not always had the best turnout for these types of events, however the survey results indicate they are still desired, so we hope to see them supported in greater numbers in the future.

The most popular themes for these types of events according to respondents were Movie Nights (40.5% saying they would attend), Investment Updates (39.2%) and Wine and Cheese Nights (29.7%)



What we found most satisfying was that 90% of those responding to the survey said they would definitely, have already, or would consider referring us to friends or family in the future. This is our best endorsement – Thank You!

Quite often the written comments can be the most insightful (and entertaining). We'd like to share some of those with you. When asked what respondents liked most about our service, some of the pleasing comments were received were:

- "Comprehensive, straight forward information"
- "Helpful, efficient, friendly and knowledgeable"
- "Always feel welcomed and well advised"
- "Friendly and useful advice. Easy to talk to and understanding my needs. Non-judgmental on personal issues involved in the finances."
- "Thank you for the personalised service. It is a relief to have the guidance."
- "Chris Taylor's Pension and Planning advice was invaluable"
- "Chris is a very energetic young man who makes me feel important and explains things in a way I can understand."
- "I only deal with Raymond and Ciara, who both have always been very helpful and professional."
- "Raymond always remembers our kids names"
- "Honest, ethical and efficient."

The response to the question "Of the services we do provide to you, are there any improvements that you would suggest", there were a number of comments about paying for parking (sorry, we hate it too!), and in the same vein a few tongue in cheek comments about preferring not to have to pay fees. One respondent also suggested more information about access to complimentary services such as brokers, and accountants. Otherwise, we were very pleased to not have received anything too disturbing.

What we took from the survey was that most people, on balance wanted to receive our newsletter up to three times a year, meet with us personally once a year, were happy with one seminar a year at an early evening timeslot, and that they valued the personalised, comprehensive, helpful, efficient and friendly nature of our advice and services. They wanted to chat to us on the phone twice a year, and more than anything valued the personal approach we pride ourselves on.

Thank you once again to all who participated in this valuable exercise - we hope to continue to evolve our services to meet your changing requirements.

Empire Team Talk - Introducing Zachary Zucconi

We would love to take this opportunity to introduce you to the newest member of the Empire team, Zachary Zucconi.

Zachary's role is to assist advisors with the researching of clients' current investment, superannuation and insurance portfolios, the preparation of strategy and advice documents, implementation of strategies, investments and insurances and attending to clients' requests and enquiries.

Zachary holds a Bachelor of Commerce majoring in Banking and Finance from Curtin University in Western Australia and is currently working towards completing his Diploma of Financial Services (Financial Planning).

While completing his degree, Zachary worked in Estimating in the manufacturing industry, giving him a good grounding in crunching numbers and working to deadlines, all important attributes as he launches his career in Financial Services.



Here is your opportunity to get to know Zachary a little better...

Where were you born?

United Kingdom

What is your favourite film?

Braveheart

Where is your favourite holiday destination?

Gili Islands in Indonesia

Who would you invite to a dinner party and why?

Eddie Murphy, because he is a great comedian and would have a few good stories to tell!

What was your first job?

IGA Supermarket

What do you enjoy most about working in financial services?

I enjoy meeting new people and helping them achieve their goals. I believe it's important to have goals and ambitions.

They enable you to get out of your comfort zone and develop.

Financial Planning is a great way of identifying your own financial position and setting new goals to accomplish.



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Please note that all information contained in this publication is of a general nature only and does not take into account your specific financial situation. We urge you to speak to us about your specific needs and objectives before considering any information contained in this newsletter.



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