



connected.

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the voice of Empire Financial Group

Welcome To Our Latest Instalment Of Connected.

This has been a year of change, of growth and of tentative optimism - both for us, and we think for the circle of clients and business network we work with.

We have seen many change factors this year in our network. We've had many of our clients rejoice in new business partnerships, marriages and births of children. Sadly, we've had clients pass away, one of them in particular way too early. We've had people take the exciting (and scary) leap into retirement, and others lose jobs in the mining downturn, only to find new jobs a couple of months later.

How we prepare for and manage that change is crucial and a huge part of why we do what we do here at Empire.

Looking back over the year just been, and the different scenarios we've encountered, really highlights just how wide the divide is between those who anticipate change and take steps to be adequately prepared, and those who are at times more relaxed about their state of affairs. It galvanises our belief in the value of why we do what we do, when we see people approaching retirement debt free, with enough money to give them the peace of mind they crave. It hits home why we make such a big deal about the value of insurance, when in the same year you pay a cheque to a young widow, and a number of income protection benefits to working people that pays their mortgage, and then spend hours and hours working pro-bono with another who's lost their house about to declare bankruptcy because they didn't have that same cover.

Many of our clients are experiencing a change in the climate of the mining industry that has driven our economy for all these years. We are finding that the bullish salaries once being offered are slowly disappearing. Those who have anticipated that change, worked with us to maximise this wonderful opportunity the past few years have presented, and eliminate waste wherever possible, are facing that change with greater confidence.

Our business has too faced many external change factors, primary amongst the implementation of the Future of Financial Advice legislation. We are pleased to say that we at Empire anticipated the changes that have now been legislated, and over the past 3 years have built our service proposition to almost mirror what was enacted. The one new addition we were obligated to add to our process is the annual sending of Fee Disclosure Statements. These started going out in July, and they are effectively a summary sheet of all fees that have

been paid over the past year and a list of services entitled to and received. As we are almost midway through the financial year, close to half of our clients have already received those. If there are any questions relating to yours when you receive it please let us know.

The steps we have been taking over that time have led to many new opportunities for our clients being uncovered. One area where we are experiencing lots of interest is the growth in the Self-Managed Super Fund space, and in particular the ability to buy, and/or borrow to buy, real estate in superannuation. All our advisers have specialist SMSF accreditation, and this is an area we expect more activity in over the coming years.

In anticipation of change and future growth we've increased our staff numbers, and have well and truly put out the "Open for Business" sign, welcoming the addition of new clients to our company.

The mood we feel within our clients and networks is one of tentative optimism. Many feel that large scale projects in WA have been put on the backburner pending the result of the last Federal Election. The sentiment is that with the outcome of the future government decided, that some of those projects will be brought to fruition, which we hope, can filter through the rest of the economy.

We continue to evolve, just like our clients do. The Empire team will be taking time out early in the New Year to plan our year ahead, and discuss how we can further add to and improve our service offering to you in 2014. We look forward to seeing you again in the New Year, and working with you to anticipate, embrace and most importantly prepare for those changes, planned and unplanned, we inevitably all face.

Until then, from all of us here at Empire Financial Group, we wish you "Happy Reading" of the rest of this newsletter and to you and your families a safe and Merry Christmas, and a prosperous 2014 ahead.

■ Raymond Pecotic



Will you end up sharing your wealth with your in-laws?

For many people the thought of making a will is something they think is not important unless they are old and have a list of beneficiaries they want to share their money with.

The prevailing thought is that "If something happens to me, my wife/husband will get everything, won't they?" How wrong they can be.

We have spent a lot of time in previous newsletters talking about the importance of adequate wills and estate planning when you are divorced, have blended families, or dependants who may be at special risk, such as bankrupts, substance or gambling addicts, or beneficiaries with disabilities or other special needs, but what about supposedly "simple" situations?

The Empire team recently spent a morning with Mabel Chua and Margaret Sandford from M68 Legal, getting ourselves further up to speed with some of the common pitfalls of dying without a will.

For those who think their husband or wife will get it all, the good news is they are entitled to all the household chattels - basically, all the furniture. Beyond that, things get sticky.

Won't my husband/wife get it all?

If you have kids, then the surviving husband or wife only gets the first \$50 000 of the family wealth in its entirety. Above that, only 1/3 (one third) goes to the surviving spouse, and the remaining 2/3 (two thirds) goes to the children.

Think of this situation - wife owned the home the family lives in before they commenced the relationship, and the property is only in her name. The wife dies, and the husband believes he would be entitled to the home. Wrong - one third of the home goes to the husband, and the other two-thirds goes to the children. The father in essence then becomes a 2/3 tenant of his children!

How often are rental properties owned in the name of one spouse? (usually the higher income earner for negative gearing purposes). All the insurances are in place to pay out the debt, and leave it to the husband or wife in the event of death. Great, the precautions have been taken to clear debt. But who will get the property?

If there are children, then the property will be split as mentioned above.

But what if there are no children? Fancy sharing with your in-laws?

If somebody dies without a will (intestate), leaving a spouse and no children, but with surviving parents, brothers or sisters, then they all get to share. In this event, the surviving spouse, in addition to all the furniture, gets everything up to \$75 000.



Beyond that, they only get half, with the remainder being firstly split to the parents (up to \$6000) and then beyond that, half to the parents, and the other half to brothers and sisters.

For all those couples with no children it means this - if your partner dies without a will, you may find yourself sharing your assets with your parents in law, and/or brothers and sisters in law.

The only way a spouse would be guaranteed to get all the couple's wealth if their partner died without a will would be if they had no children, no surviving parents, and no surviving brothers or sisters, or surviving children of any deceased brothers or sisters. They would have to be an ultra-orphan.

The list and combination of scenarios listed in the Administration Act 1903, Section 14 - Entitlements on intestacy, is lengthy. The examples described above are two that would be common situations, with massive impacts on the surviving spouse.

Can we fix it with a homemade will?

The case of a disputed will was finalised and handed down in the WA Supreme Court on 24 October this year by Master Sanderson. The deceased had died on 1 March 2003 - a ten year long protracted legal battle over a homemade will. In his ruling, Master Sanderson's opening line read "Homemade wills are a curse." To paraphrase the rest of the opening paragraph, the judge found that where there are substantial assets and the will is opaque and there is disagreement among the beneficiaries, the result is an expensive legal battle that satisfies nobody.

Taking the right steps is important.

If you do not have wills (or other important documents like Enduring Powers of Attorney), and you don't want to share your money with your in-laws, then it is important to get your affairs in order. Getting them done properly is just as imperative, and except for in the simplest of simple scenarios we would advise against a "homemade" or will kit process. Getting the right advice is certainly worth the investment.

Empire Financial Group has an end-to-end Estate Planning service where we can provide assistance from initial instructions through to the signing process, all delivered in your Empire Estate Planning folio and reviewed as part of your regular financial planning consultations.

Speak to us at your next review or get in touch with us now to discuss your affairs further.

Not all properties are the same - how to select one with Development Potential

We came across this article courtesy of Trevor Dunkley from the Property Wizards, a real estate buyer's agent we have worked closely with to assist our clients identify and negotiate the purchase of investment grade rental properties.

While many people are interested in buying real estate for investment, they are not sure what they should be looking for. For those who are investing for long term capital growth, we've always advocated searching for something that has "value-add" characteristics.

Buying a property with current or future redevelopment potential is one way of doing this and in the following text Trevor gives some of his insights:

"Knowing how to secure a property with superior development potential can be difficult, especially if you are just starting out. Top tips to ensure successful developing include:

- Look for a block where the cost is almost the same as the block value, so that very little of your purchase price is being wasted on the existing house.
- Look closely at the shape, as well as the size of the block. Irregular shaped blocks can cause extra design costs and wasted space.



- Look for blocks with as little slope as possible. Blocks with greater slope need more retaining and earth works which can add to your costs.
- As well as confirming the zoning on the block to ensure the development is possible, confirming the location of the sewer line is crucial. While some blocks will be advertised as a 3-unit site, the location of the sewer line can actually restrict it to a 2-unit site as homes can't be built on top of sewer lines.
- With battle-axe blocks, keep in mind that side access is required to be a certain width before any subdivision is approved.
- In small developments it is very hard to develop and sell immediately at a profit since the gain is mostly eaten up in stamp duty, purchase costs, resale costs and taxes. You're far better off not selling and rather building a portfolio of properties that can grow in value and increase your wealth.
- Before you start looking for your development property, talk to your finance broker to see what type of development you can afford.

Source: Property Wizards

<http://www.propertywizards.com.au/selecting-a-property-with-development-potential/#sthash.1HtsozEV.dpuf>

Melbourne Cup Day 2013

This year, the staff at Empire Financial Group attended a Melbourne Cup Function at Crown Perth in aid of the Future 2 Foundation; a charity supported by the Association of Financial Advisers and the Financial Planning Association of Australia.

Future2 is a channel through which the financial planning profession and those linked to it can make a positive difference to the lives of those in need. Through grants to community not-for-profits and charities, the Future2 Foundation supports young Australians who are financially and socially disadvantaged.

We are pleased to announce that the event raised in excess of \$25,000 on the day.

Here are a few happy snaps taken at the event.



We would like to congratulate Chris Taylor for taking home the title of 'Fashion's on the Field Winner' at this years Melbourne Cup function. Well done Chris!

What I have learnt about Money - A Gen Y Perspective



My name is Zachary Zucconi and I am Empire Financial Group's newest employee.

As a Commerce graduate majoring in Banking and Finance working in my first role within this profession, I have found that many of my pre conceived ideas about financial advice were totally off the mark.

Each and every day I am learning more and more about the value of speaking to an expert and getting good advice. I hope that what I can share with you about my experience so far can help other people get a better picture of why we do what we do.

Firstly, Financial Planning isn't just for retirees, it's for everyone.

When I started in this role I had a picture in my own mind as to who I thought our clients would be. In my mind, I saw lots and lots of grey haired retirees with a stack of money they wanted us to do something with.

What I have since learned is that financial planning is all about assisting people to make financial decisions and achieve goals. Everyone has goals, no matter how old they are and when I think about it I could write a list of them. Think about yours - what are they? I bet that whatever they are, there is a place that we can assist.

The reality is there are options available at all stages in life regardless of what income you earn. I see day to day just how much difference we can make to those in their 20's and 30's, who are working and earning good money, to set them up for the future. And I see how different people's finances look when they're in their 40's and 50's based on the steps they took in the early stages of their career.

Starting early, planning ahead and eliminating waste enables you to be better prepared to succeed in life.

It amazes me how many new clients we get come into our office, who are earning hundreds of thousands of dollars, and have very little to show for it. And then, I see some of the people we've worked with who have never really earned big bucks, yet seem to have their houses paid off (sometimes more than one) and good money in super and well set up. What I found the big difference between those two groups was a plan and discipline. Those who started early cut down on waste, tucked away enough to be comfortable and are living so much easier now, even if they aren't earning huge incomes. This is why having a planner keeping you on track is so important.

This got me thinking about my own situation. I decided to start planning early myself. I want to be able to have more confidence in my future and worry less about my finances.

The first thing I did was sit down and look at my superannuation. To my surprise, I discovered I held three different Superannuation funds, one of which was sitting on the Australian Tax Office Lost Super register. I thought what a mess!

Fortunately with the help of the team, we selected an appropriate superannuation fund based on my needs, and made sure that all of my money was in the one pot. What a relief!

Now, I am building a savings plan to buy my first house. Personally, I did not think this was going to be achievable since property prices in Perth are so high and I have never concentrated on where my money was going before.

After I worked out what I needed to put away for the future and when I will be able to buy my first house, I realised my goal is no longer as daunting as it once was.

The great thing is that I have time on my side, and I am already a step closer to achieving my goals. It feels amazing.

Not being covered when things go wrong can be absolutely devastating

I'm 23 years old and I think I am invincible. I've always thought nothing will happen to me. If something did happen, Mum and Dad would be able to look after me and take care of everything.

What I have since learnt is that this puts incredible strain on the entire family.

I do not want my parents to have the burden of taking care of my mortgage on my new house whilst paying for the medical bills to keep me afloat. My health is very important but at the same time so are my responsibilities.

The good thing is that I can prevent the risk of financial burden by having the right insurance in place.

I've often heard people say that insurance doesn't pay out - not true. I've been here for 6 months now and have already seen one widow receive a cheque when her young husband died, two income protection claims that have saved people's mortgages, and unfortunately have seen one client about to go bankrupt because he got sick, couldn't work, and didn't have any insurance in place. Now I won't be leaving anything to chance. To me this was real eye opener.

Financial Planning isn't just for the rich.

Financial planning is for those who want to be rich - or at the very least comfortable and confident in their future. I have the view that Financial Planning is valuable, not expensive. There's no substitute for quality advice, and I know firsthand now the difference between an individual who has missed opportunities (are paying too much tax, hold their assets in the wrong structures, haven't invested early) and those who don't waste opportunities by having someone point them out and keep them on track at all stages.

In my opinion everyone can have a financial plan, and what I've learned is that it can be affordable as there are lots of different options to fund that advice.

I hope that others like myself now have a better understanding of why we do what we do. In this short space of time I've become a firm believer that we can change people's lives. If you haven't spoken to somebody about your circumstances then maybe it's time you looked to see how much of a difference good advice can make to yours.

Empire Team Talk

We would like to take this opportunity to congratulate our Client Services team member – Nicole White (nee Purchase) and her new husband Hamish on their recent wedding on Saturday 24th August 2013.

"It was an intimate wedding celebrated in my husband's home town of Adelaide. We shared the day with family and close friends, enjoying plenty of food, drink and fun throughout the day". (Nicole White)

We here at Empire Financial Group wish Nicole and Hamish a beautiful future together



Holiday Opening Hours

We wish to advise that our office will be closed from Midday Monday 23rd December 2013 and will re-open on Monday 6th January 2014. On behalf of the Management and Staff at Empire Financial Group, we wish you a Merry Christmas and a Happy New Year!



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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.



Suite 5, Level 1 22 Brown St, East Perth WA 6004
PO Box 6486, East Perth WA 6892

T (08) 9323 3000
F (08) 9323 3001

E efg@efg.net.au
W www.efg.net.au

ABN 68 925 380 737