



FIDUCIAN FOCUS

Summer
2016

PLANNERS' STRATEGIES OPTIMISE: GOOD OUTCOMES



For this issue of FOCUS, we asked three of our planners to talk about strategies for helping clients make the best of their life and financial circumstances. The common thread through these three stories is that the clients are now in a far better position than before they worked with their planner.

Optimise for tax-effectiveness



Leasa Collins

Sally, 65, continues to work, has no financial dependants and wants tax effectiveness of her funds now and upon death. Sally worked with Fiducian Financial Services' planner Leasa Collins to ensure the most effective use of her funds.

Sally has a large superannuation pension fund on which she pays no tax on because she is over 60. If nothing was done, Sally would continue to pay no tax because her superannuation pays a tax-free income stream, and the earnings within the fund also pay no tax.

Upon her death, a large portion of Sally's funds would be subject to tax, because she has no financial dependants.

Whilst she does not need additional income, creating an account-based pension allows her to proportionately draw funds from her super, which was largely made up of funds that would be taxable for death benefit purposes.

Instead, Sally now withdraws money from her pension account, and deposits it into her superannuation to increase her tax-free portion.

This means that the part which is subject to tax at death has been minimised, because her tax-free portion has been increased within her superannuation – which is periodically transferred back to pension phase.

Over time, this has allowed Sally to increase her tax-free portion gradually so the implications will now be minimal upon her death, and she pays no tax within the pension fund, or as she withdraws funds as income.

Thus, Sally has been saved potentially about \$40,000 in tax which would have been payable upon her death.

Inside this issue...

- PLANNERS' STRATEGIES OPTIMISE: GOOD OUTCOMES
- THE FIDUCIAN TECHNOLOGY FUND
- FIDUCIAN IN THE COMMUNITY

Til Divorce Do Us Part



Alison Williamson

Margaret was referred to Fiducian Financial Services' planner Alison Williamson by a solicitor to assist with her divorce and re-establishment. She wanted to retire in 12 years and earn a current-day net income of \$50,000. Margaret, who worked as a dental assistant on \$70,000pa, wanted to buy a home of a given standard and area.

A property was sold and there was little debt. As well, there was some cash, a small joint share portfolio and a couple of super funds with modest sums. Margaret would be inheriting about \$250,000 within 10 years.

The objective was to find Margaret a property that she was happy in, a level of manageable debt for repayment, an exit strategy pre-retirement and accumulation of sufficient funds to be financially independent in 12 years.

A buyer's agent was provided with defined attributes required for a property and a price range that would not jeopardise the overall plan. Alison Williamson drafted a proposal to the bank outlining the structure of the debt, mortgage repayment, cash flow analysis and exit strategy.

The agent sourced an excellent property, the bank approved the loan, some of the proceeds from settlement were put into the property and some into super. A transition-to-retirement strategy was enacted that allowed Margaret to build her super and reduce income tax and ensure her super monies were predominately tax-free, whilst maintaining a specific level of cash flow.

Insurance was used to secure her position should she become disabled. A new will was drawn up to ensure protection of the assets to the children and their bloodline.

Margaret is on target to achieve financial independence within the time required. She is re-established, runs a transparent budget and we catch up to track the progress. Margaret has a greater understanding of investment principles, and within her super and pension fund no growth assets have to be sold to fund distributions.

Whilst not every outcome can always be achieved completely, the clarity of this level of analysis facilitates an informed decision, any relevant compromise and what that means so it avoids impulsive decisions and long-term regret.

The key is in the process that ensures any change to circumstance is managed and aligned to purpose and any concerns are talked through. So, Margaret is comfortable, confident and understands her choices even when people get in her ear about what they think she should be doing.

Don't Dis My Ability



Michelle Halvorsen

Nancy, in her middle 40s, had a very rare disability which left her incapable of ever working again. After receiving a substantial payout through a Family Court settlement, she would have lost her small part-disability pension because Centrelink would have counted all monies as assets.

Her brother, James, who holds her enduring Power of Attorney, asked Fiducian Financial Services' planner Michelle Halvorsen if anything could be done to help his sister gain eligibility for Centrelink income support, and

maintain her Health Care card because medication was a high expense for her.

Nancy had a Fiducian accumulation super account, so we approached the Trustee and asked that, for medical reasons, we be allowed to access her super before preservation age in the form of an income stream. After forms and medical supporting statements, the trustee gave permission to access super as an income-stream only and so a second pension-only account was set up. Nancy's accumulation super fund with Fiducian was kept open to accept any contributions in the future.

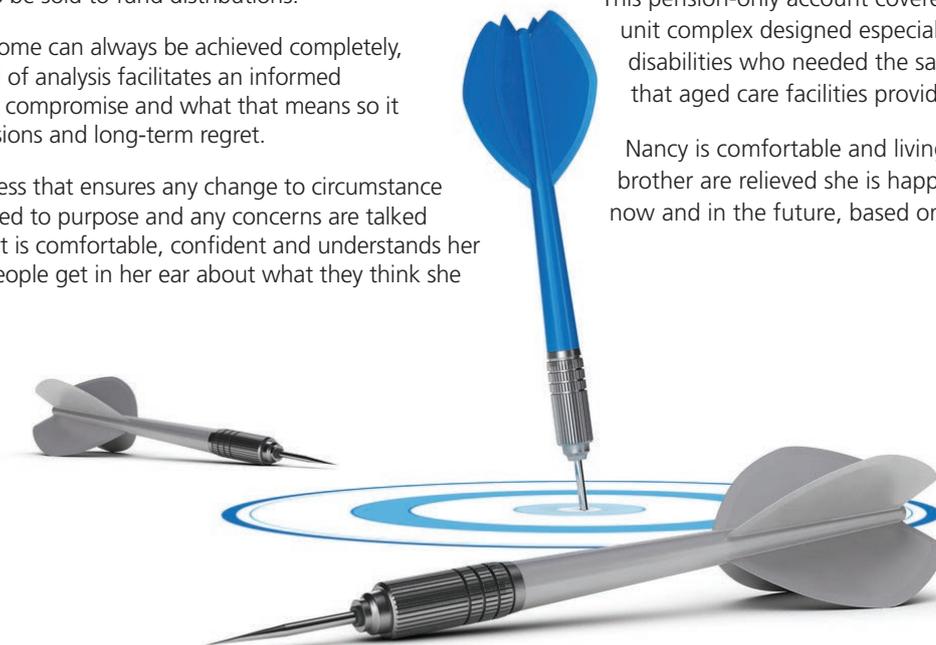
Bulk monies were deposited into her Fiducian accumulation account and other super fund monies rolled into it. Part of this was then rolled into pension phase.

Because Nancy was too young for the Age Pension, the accumulation account was not counted as an asset but the pension-only account was treated as an asset. This pension-only account was treated favourably by Centrelink for income purposes.

Nancy received a much higher disability pension and mobility allowance, which in turn ensured that she would only have drawn a much lower income stream from the pension-only account.

This pension-only account covered her carers' cost in a multi-unit complex designed especially for younger people with disabilities who needed the same level of care and support that aged care facilities provide.

Nancy is comfortable and living her life, and her family and brother are relieved she is happy and financially comfortable now and in the future, based on our modelling.



THE FIDUCIAN TECHNOLOGY FUND

The Fiducian Technology Fund provides access to high tech stocks across the globe, including stocks in bio-technology, information technology (IT) and other emerging technology sectors. The article below focuses on some of the rapidly developing innovations in the bio-tech sector and also highlights the fact that the sector remains attractive in valuation terms. The article has been prepared by James Crawford, Investment Director for Wellington Management, one of Fiducian's 2 technology managers.

This is an exhilarating time to be a health care investor. The impact of many new disruptive treatments hitting the market — for cancer, Alzheimer's and many other diseases — create opportunities for investors for years to come. The speed of approved innovative drug compounds has spiked in recent years (the light blue line in the graph below) to an all-time high, while valuations (P/E ratio) of many pharmaceutical companies compared to the industry pipeline (the dark-blue line) have not kept pace.

The chart shows a widening gap between current valuations and the innovation cycle. We believe this disparity represents a potentially enormous opportunity for investors, even if only half of all these new approved drugs eventually reach the market.

A key driver of drug-therapy innovation has been the completion of the human genome map in 2003. Since then, scientists have had a much more powerful set of tools to discover drugs – at a much lower cost. The first human genome mapping took 13 years, costing almost US\$3 billion. Today it only takes days to map a genome and costs a few hundred dollars. Using current software, scientists can now analyse a whole genome sample in 90 minutes, enabling biopharmaceutical companies to understand the disease pathway through the human body much better than just a few years ago – revealing gene mutations that might form the basis for cures that, until recently, appeared out of reach. Some examples are discussed below.

Immunotherapy drugs help the body to fight disease by activating or magnifying the normal immune function. Successful immuno-oncology (cancer treatment) drugs in particular could have a massive impact, across many types of cancer — for example, in the US alone, there are almost 1.7 million new cases of cancer and nearly 600,000 cancer-related deaths every year.

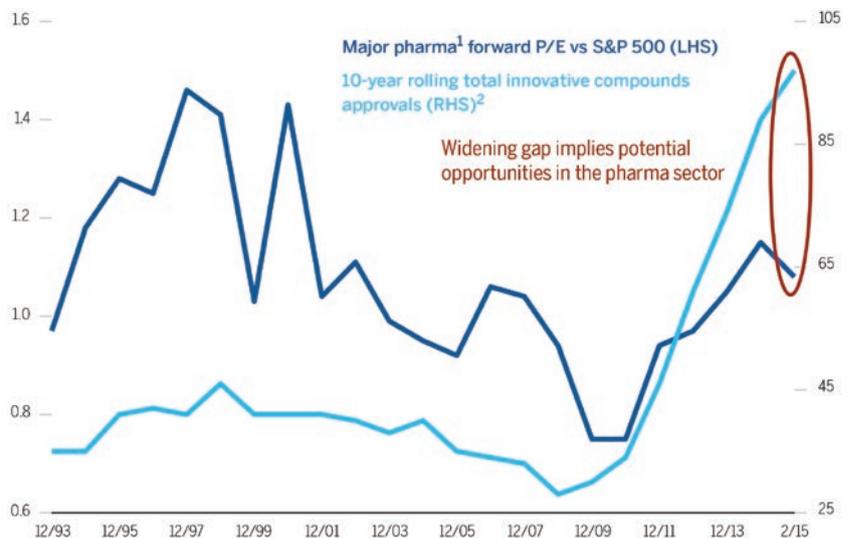
Studies have identified a particular gene-mutation in Nordic populations that corresponds with a low Alzheimer's incidence. This has motivated many drug companies to re-invest in medicines that replicate the impact of this mutation, such as amyloid beta antibodies and BACE inhibitors. Importantly, treating milder disease symptoms is a key investment opportunity — for example, helping early-stage Alzheimer's patients retain simple cognitive functions such as making lists or tying their shoe laces.

Disruptive biopharmaceutical therapies are developing for everything from asthma to haemophilia to multiple sclerosis to high cholesterol. Even without cures, treatments that slow disease and improve human life may be stepping-stones to future waves of scientific progress and, hence, have attractive long-term investment potential.



“...this disparity represents a potentially enormous opportunity for investors, even if only half of all these new approved drugs eventually reach the market.”

Valuation doesn't fully discount biopharma innovation



¹Defined as mid-/large-cap companies that develop, produce, and market drugs or pharmaceuticals for use as medications.

²The term “innovative drug launch” refers to the first US commercial approval for a particular disease state of a drug with a mechanism of action that has not previously been brought to bear on that disease state. | Sources: Credit Suisse (through 2013) and Wellington Management (2013 – present)

FIDUCIAN IN THE COMMUNITY

VISION BEYOND AUS UPDATE: EYE OPERATIONS HIT 14,400  Vision Beyond AUS

Vision Beyond Aus (VBA) works tirelessly to fund and support a large international team of in-country eye surgeons, anaesthetists, nurses, ophthalmists and medical staff, who carry out the humanitarian cause of restoring sight to some of the world's most disadvantaged people.

As it stands, VBA has changed the lives of 14,000 people and the number is steadily growing towards the goal of restoring sight to 100,000 people.

A big thank you to all those who donated at this year's Fiducian Annual Conference – the total amount raised was \$6000, which Indy has matched to make our grand total of \$12000!

For more information and how you can help towards the cause, please visit <http://visionbeyondaus.org.au/>



FFS NOWRA HOLDS A SUCCESSFUL CHARITY GOLF DAY

What a wonderful day with perfect weather for the 2015 Fiducian Nowra Annual Golf & Craft Day held at the beautiful Nowra Golf Course on 30 October 2015.

40 people attended including clients, guests and staff.

\$225 was raised throughout the day, all of which goes to Vision Beyond Aus.



FIDUCIAN
Financial Services
INTEGRITY • TRUST • EXPERTISE

Fiducian Financial Services Pty Ltd

ABN 46 094 765 134

AFS and Australian Credit Licence No. 231103

Level 4, 1 York Street, Sydney NSW 2000

Correspondence

GPO Box 4175
Sydney NSW 2001

Telephone: 02 8298 4600

Client Services: 1800 653 263

Fax: 02 8298 4611

Email: info@fiducian.com.au

www.fiducianfs.com.au

Your local Fiducian Financial Services Representative is:

DISCLAIMER:

Information in this newsletter is general in nature. It is NOT a recommendation or offer to anyone to invest and has not been prepared on the basis of the financial or investment profile of any particular person. It is important that you do not make any investment decision on the basis of this information without first assessing its suitability for your own objectives, financial situation or particular needs. A Fiducian Financial Services Financial Planner can assist you to do this.

Information of a financial, investment or legal nature is based on research and our understanding of the subject matter and of the law at the date of publication. We have used all care in its preparation but to the maximum extent of the law, disclaim any liability for errors and omissions. Fiducian Financial Services Pty Ltd ABN 46 094 765 134 AFS Licence No: 231103, its representatives and other members of the Fiducian Group accept no liability for any loss suffered by anyone who has acted on any information or advice in this document.

PRIVACY:

Personal information held by Fiducian Group and their affiliates may have been used to enable you to receive this publication. If you do not wish your personal information to be used for this purpose in the future please advise us via mail, telephone or email to the address noted on the back page of this newsletter.