



Conclusion

For many of our clients we have recognised they have issues of capital deficiency. In addition we have recognised there are a variety of methods to accumulate retirement capital.

Using our analytical capabilities, BDO Wealth Management have developed investment strategies and solutions which help address the issue of capital deficiency and the most appropriate combination of solutions including Superannuation, Equity Investments and Residential Property. Proper assessment requires:

- Cash flow and tax management of all client's structures
- Combining superannuation related strategies (of which there are many)
- Identify appropriate investment opportunities that meet client's risk profile and review them on an ongoing basis
- Use of debt or gearing
- Personal objectives and estate planning
- Consider and plan for all potential risks
- Provide direction by reinforcing the client's financial aims in life
- Provide timely feedback on the progress of strategies and quantifying the benefits

BDO Wealth Management recognise the symmetry between developing documented strategies and analysis, parallel with asset selection and the management of those assets to counter the capital deficiency clients are experiencing.

Investment returns assumptions

Assumptions provided from research group, Lonsec for a balanced superannuation account and Australian equities. Assumptions for Property provided by Oliver Hume Research (Tenzing) - 6% growth conservative and 4% rent yield.

NOTE: In most circumstances, BDO would advise clients to re-direct surplus cashflow (\$20,000 before tax) to taxable superannuation contributions, as this provides the best tax effective use of the income rather than contributing surplus cashflow to either margin lending or residential property.

Client concerns - Providing strategies and solutions

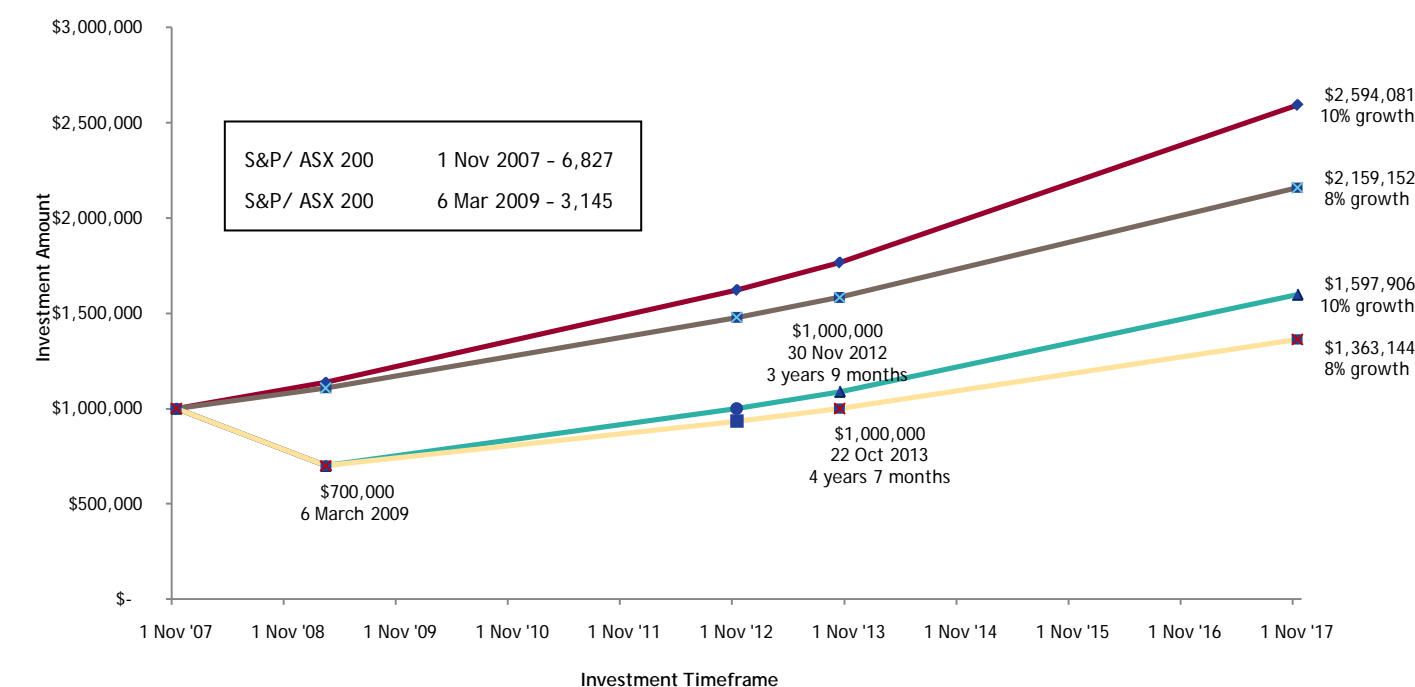
There are four common concerns (themes) which clients are seeking our guidance from. Whilst each is separate by its origin, the issues are closely related.

1. The impact of the Global Financial Crisis (GFC) in reducing clients assets, coupled with a reduction in the amount clients can contribute to superannuation and the uncertainty of future superannuation legislative changes.
2. Clients are increasingly acknowledging the likelihood of a longer life expectancy and the distinct possibility they could outlive their retirement savings. This risk is commonly known as 'Longevity Risk' or how long will my money last?
3. Recognition that sitting back and doing nothing is not an option and the time has arrived to embrace strategies to commence rebuilding wealth
4. The need to accumulate more assets, more efficiently prior to and in retirement.

Effects of the GFC and Changes to Superannuation

The Australian share market fell by over 54% from it's height in November 2007 until March 2009. While the market has since partially recovered, the scenario below is a familiar one for most superannuation investors. In addition the Australian Government introduced changes to the superannuation regime, limiting the amount of contributions clients can make to super and have not ruled out further changes.

Performance of a Balanced Superannuation Fund



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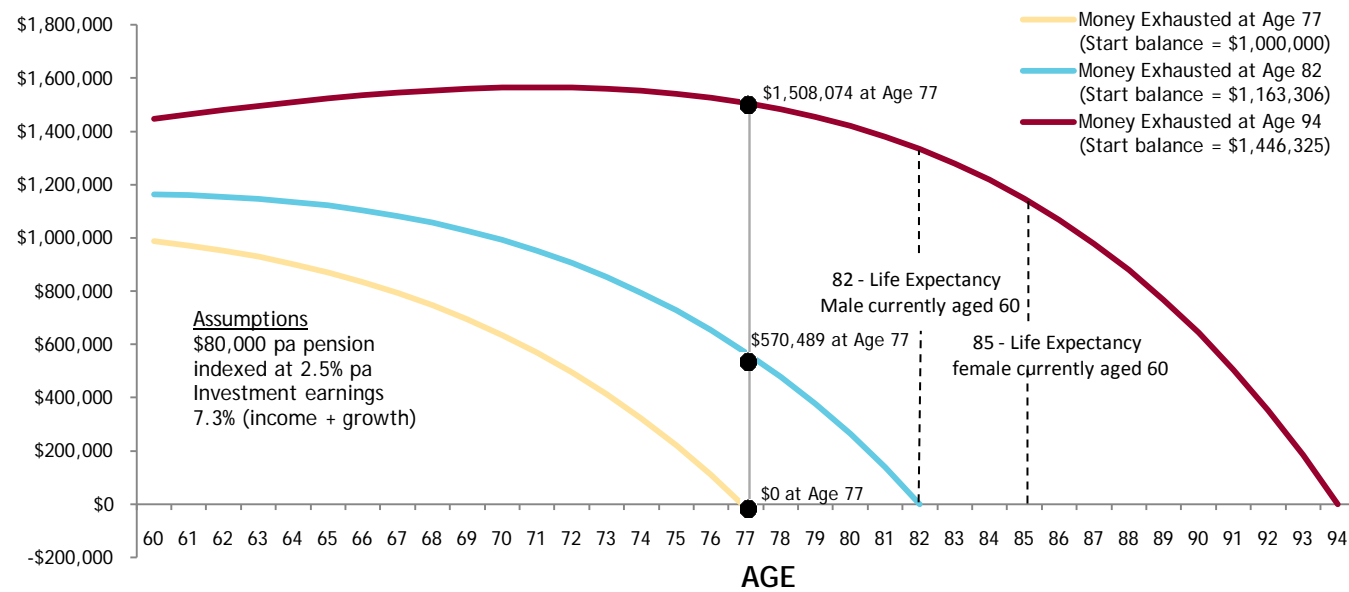
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Longevity Risk

Clients are increasingly aware of the possibility they may outlive their money. However by moving early and introducing strategies which make more efficient use of clients cashflows can have a significant impact in increasing client's retirement savings.

Longevity Risk - How long will your money last



Analysis of the most efficient use of a client's Capital & Cashflow - Creating a \$1 million

BDO's objective was to analyse the most efficient use of the client capital and cashflow with a view on what individual or combination of scenario's produced the best result for clients looking to re-build wealth. We analysed the data when projected forward as well as looking back at asset classes over the past 10 years. All assumptions and rates of returns are research based.

Underlying assumptions

Initially, the client contributes \$100,000 from tax paid source. Annually, the client adds \$20,000 (indexed @ 2½%) before tax to investment. The client's marginal tax rate is 46.5%.

Scenarios considered

1. Superannuation, balanced investor
2. Australian equities, margin lending @ 50% LVR
3. Residential property geared to 81.25%

We projected forward and examined past performance using data from independent research houses Lonsec and Oliver Hume Research (Tenzing).

Investment scenarios

1. Superannuation

Current balance of \$100,000 and contributes \$20,000 annually before tax as salary sacrifice and invests. Investment risk is moderate, no gearing. Assumptions and results;

Projecting forward	Past performance - 10 years
Investment return - 7.3% p.a.	Investment return - 6.5% p.a.
Income - 3.9%	Income - 3.9%
Growth - 3.4%	Growth - 2.6%
Timeframe - 17 Years 4 months	Timeframe - 18 Years 4 months
Amount - \$1,000,000	Amount - \$1,000,000

2. Australian equities - Margin Lending (ASX 200 investment)

Contributes \$100,000 capital and allocates \$20,000 annually of before tax money, initially used to repay margin loan and once extinguished used to re-invest as additional equity.

Create margin lending account using \$100,000 capital and borrowing \$100,000 (LVR 50%) - total investment \$200,000. Assumptions and results;

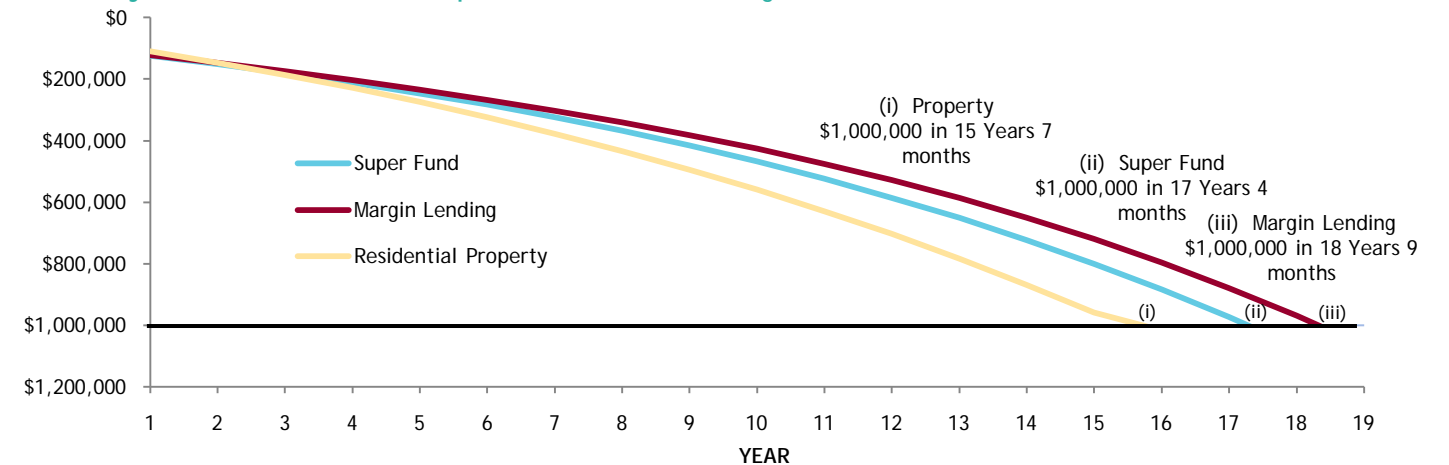
Projecting forward	Past performance - 10 years
Investment return - 9.5% p.a.	Investment return - 9.5% p.a.
Dividend Yield - 3.5% (80% Franked)	Dividend Yield - 3.5% (80% Franked)
Growth - 6.0%	Growth - 6.0%
Interest Rate - 9.0% p.a.	Interest Rate - 9.0% p.a.
Timeframe - 18 Years 9 months	Timeframe - 18 Years 9 months
Amount - \$1,000,000	Amount - \$1,000,000
Owned outright, debt free	Owned outright, debt free

3. Residential property

Contributes \$100,000 capital and allocates \$20,000 annually of before tax money, initially used to repay property loan and once extinguished used to accumulate cash. Purchase property using \$100,000 capital and borrowing further \$325,000 (LVR 81.25%) - Total investment \$425,000. Assumptions and results;

Projecting forward	Past performance - 10 years
Investment return - 10.0% p.a.	Investment return - 13.6% p.a.
Rental Yield - 4.0%	Rental Yield - 4.0%
Growth - 6.0%	Growth - 9.6%
Interest Rate - 8.0% p.a.	Interest Rate - 8.0% p.a.
Timeframe - 15 Years 7 months	Timeframe - 11 Years 1 month
Amount - \$1,000,000 Total return	Amount - \$1,000,000 Total return
Property Value - \$992,174	Property Value - \$1,105,189
Surplus Cash - \$7,826	Outstanding Loan - (\$105,189)
Owned outright, debt free	Owned outright, debt free

Forward Projection - Efficient use of Capital & Cashflow - Creating \$1 million



Past Comparison - Efficient use of Capital & Cashflow - Creating \$1 million

