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AMP ANNUAL GENERAL MEETING

INFORMATION SESSION

PARTICIPANTS:	**MR ROBERT COULTER** **MS EFFIE ZAHOS** **MR MALCOLM WEATHERLEY**
LOCATION:	**SYDNEY TOWN HALL**
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MR R. COULTER: Good morning, ladies and gentlemen. Thank you for joining us for the Smart Financial Strategies for 2017 information session for AMP shareholders. Now, this is the third time that we've held a session like this before the AGM, and I would like to extend a warm welcome to the people here, but also to the people – to the folks who are listening online. My name is Robert Coulter. I'm delighted to be introducing this morning's session. Today's session is titled Smart Financial Strategies for 2107. Now, as many of you would be aware, we were due to have Paul Clithero speak this morning. Unfortunately, Paul received the very sad news on Tuesday morning that his father-in-law had passed away.

Our thoughts, of course, are with Paul and his family, and in speaking with Paul over the last couple of days, forever the professional, he was really looking forward to delivering this session. It has been two years since he has been back at the AGM. He has reached out to his colleague and friend Effie Zahos to step in for him today. Paul has worked with Effie since way back at the very successful Channel Nine Money show. We're very grateful for Effie – for me, personally, Effie – it was a bit touch and go on Tuesday – for agreeing to help us. Considering what a huge week it is for you with the budget and, of course, tomorrow's printing of the Money Magazine, for which you are the editor.

Effie Zahos will share her thoughts on the state of the markets, investments, and where money will be made and lost in 2017. I'll then be inviting Malcolm Weatherley, senior private client advisor with AMP Advice, where I'll discuss with Malcolm issues like managing money and risk over a longer life expectancy, how to make the most of your entitlements, and what to consider when transferring assets to children, including Centrelink and other considerations.

Now, we have left time at the end of the session for questions, which both Effie and Malcolm will be happy to answer. This session will conclude at 10.30 am. But before we start, I need to remind you this disclaimer. Now, any information that's going to be in this presentation is general in nature. The information does not take into account your personal circumstances, objectives, financial situation or needs.

I'm delighted to introduce our first speaker. Effie Zahos is one of Australia's leading personal finance commentators, with more than two decades' experience in consumer finance topics, including banking, finance and property. Starting from the ground up as a graduate trainee in one of Australia's major banks, she moved from corporate to TV in 1997, kick-starting her career in journalism as a head researcher for Channel Nine's successful Money show.

As editor of Money Magazine and a regular finance expert on the Today show, A Current Affair and Sky Business News, Effie specialises in helping individuals get ahead through personal finance tips and consumer banking awareness. She is also a regular on radio stations right across her Australia, with her own Word on Money segments, and an author of the children's financial literacy book The Great Twenty Dollar Adventure. She has a degree in economics from the University of Queensland. Please join me in welcoming Effie Zahos.

MS E. ZAHOS: Thank you very much. Thanks, Robert.

MR COULTER: Thank you.

MS ZAHOS: Thank you. Thank you very much, and good morning, everybody. I'm not Paul, and I'm sorry. I know you're probably all expecting Paul. I may not look like Paul, but I have worked with that man for 20 years, so I sound like Paul a lot. Probably my financial affairs are not as great as his. They're good, but not as great as his. As Robert was saying, my background is finance, but I'm not a financial adviser. So I needed one of those disclaimers myself. But that really is not a big deal, in a sense. I have been working on the brand for 20 years, and working with Paul.

I was actually a product manager in a bank with Westpac; developed home loans and pricing for term deposits. And then I met Paul. I was probably doing that for about six years; met Paul. And I remember going for a job interview with Paul, because Paul was looking for someone for the Money show on Channel Nine. And that was back in the days when a TV show about money would rate higher than The Voice. Today, that just doesn't happen. It doesn't happen. And I wish it did, because I really think we need a personal finance show back on primetime.

And I remember going for my job interview. I remember I was earning a really good salary. I had just come out of uni. I was a graduate, went through a graduate trainee on some great money. Met Paul, and I was sitting in the interview. And Paul said to me, Effie, I want to share you one of my biggest financial tips: it's not what you earn that counts, it's what you spend. I'm thinking he's so right, he's so right. I'd love to have you here, but I can only afford half of your salary. And then I realised no wonder: he was setting me up for this. Of course that's his biggest tip.

I did make the move, and I have not regretted. I had worked on the show for several years before I moved onto the magazine. There was one time – and I know Paul likes to say this – where I had left a corporate world, and my first gig was to go to the Whitsundays. And we were doing a story on how to retire well. And Paul was filming this on a boat, and, as we know, Paul loves boats. And my whole job for that day was just to hold a flicky to make sure he looked good, because when the light goes on your face you look so much longer. And I thought have I made the right decision, jumping in as a journalist? Have I done the right thing?

I think I have. As editor of Money Magazine I get to speak to some of the best experts in Australia, and a lot of financial advisors, whether it's AMP, whether it's – you know, any other company we speak to. And it has enabled me to, basically, be very worried about my finances, because experts all have differing opinions. Today, I actually just want to share with you some ideas about what we do at Money Magazine, and out from that will come, probably, the most common questions that I get asked. And I'm assuming you may relate to these questions.

I did an interesting exercise. I wanted to see what were our top-selling covers over the past two years. And the way I come up with these covers is, basically, I talk to people like yourselves. I do a lot of seminars, and I actually talk to our readers and say what is it concerning you? What do you want to read more? And these have directly come from our readers, from people I meet in the street. And they become our best-selling covers. Now, the best one we've had in the past two years is that larger one, retire on 65k a year. Who would have thought a cover about superannuation would be my bestselling cover? I tell you what: if I did it 10 years ago, it wouldn't have sold. Do it now, and I know it's going to be one of our bestselling covers.

Ironically, my second-best cover was how do you build wealth outside of super? You may think gee, that's weird: one says they want it in super and the others, you know, they don't. Not really. We have a real love affair or hate affair with super, and that just proves it. And then where to invest: you'll notice Paul's face is on there. Believe it or not, Paul does sell covers still, although he does use an old picture. That picture was from – actually, that picture was from when we did the Money show. He refuses to update it.

And then 50k in five years: how to get that. Our readers are big risk-takes, and I think you do have to dial up the risk a little bit in this day and age to actually see any decent returns. And, of course, that depends on where you are in your life, of course. But having two young kids, I can tell you I'm helping them dial up their risk, because I don't want my kids at home when they're 30. And then paying off your mortgage or invest is also another big question we get, and a lot of people, as they're heading into retirement, are finding that they still may have debt. What is the best option? Do I pay it off or do I invest?

So just talking to people – and today I'm very keen to talk to as many of you as I can later, because I do get ideas from you, and that's where our covers occur. And we're still the most read and sold personal finance magazine in Australia. And in a world of digital, I'm very proud of that. Now, while Paul may not be here, he definitely did want me to talk about this clock. I know he loves looking at this clock. Personally, I find it a little bit disturbing. I wasn't quite sure if it would be online, but if you do get a chance to go online get on to Worldometers and have a look at this. It's crazy. These numbers are just popping up. So it moves from 77,795 deaths to 77,796.

I'm glad to say the births are higher than the deaths. But what this actually shows is that we have a current population of 7.5 billion, and it will continue to grow. In fact, in just this year alone we're going to have 93 million added. That's huge. What does this mean? Well, essentially, these people need to live somewhere. They need to eat. And they will all have an impact on the areas, on the obvious areas of properties, shares and general investing.

So I want to move through just three simple questions that I get asked all the time, and the big one right now is will property prices take a tumble? Put your hands up if you think property is going to bust, and you're just waiting for some unfortunate happening so you can jump in and buy your property. I know a lot of our readers are. Look, will they actually bust and fall? We've heard these doomsayers talk for a long time. I remember when the economists came out and said our prices will fall by 50 per cent. We hear so many things about the property bubble. And, at this stage, I would say that, in the long term, of course, given this growing population, there will be demand for good property. I don't believe that we are going to see a property market just flatten the next day.

I mean, in the 1990s we did see prices fall a lot. Interest rates were ridiculously high then. And we saw a re-shifting. The market fell to about 85 per cent of homeowners and 15 per cent investors. It's quite different at the moment; there are a lot of investors in the market. What we do at Money Magazine is we, kind of, do look at the research, and – I'm sorry – you probably can't see that; I can't even see it here. But it's SQM Research, and what I found interesting with their projections: they still believe that, this year, the market will continue to trod along nicely. They are not seeing a slowdown. And, in fact, they're seeing the Sydney property market 11 to 16 per cent growth.

That is based on the assumption that rates do not move, but let's try and pick rates moving now or not. It doesn't matter what the RBA does, the banks are quite happy to move independently. But, overall, they're looking at about a six to 10 per cent increase this year. The only states that are a worry, of course, are Perth and Darwin, seeing negative returns. And why do they say this? Well, clearance rates are still good. They look at that indicator. And they look at prices.

I do believe that prices are extremely overvalued here in Sydney and in Melbourne, but you've got to remember the property market is like any other market, and there's pockets of it. And it's interesting: you can look at the – say, the price of property – and take a two-bedroom apartment here in Sydney – and on a price per square metre we're actually quite expensive. But if you look at the price of property as a multiple of your wage that we have here, there's still room to grow. So, I guess, it's how you look at it. The biggest risk, of course, is interest rates do move, and, also, our insane appetite for debt. When you look at household debt to GDP, we are treading some serious waters here, and which is why most of us are concerned about what the property market is doing.

One thing that I do like to highlight is if you are doing some research and looking at property market, take care with the data you actually look at. I was quite surprised: in Australia, we've got about four different research houses. Sydney alone – and I'm not sure if you can see it – but if you look at Sydney, depending on which research house you use, it moves from 3.3 per cent growth we've seen in one year to 7.5, and then jumping up to 16.7 per cent. So this article appeared in our April edition, and we actually put the research houses to the test to see what are they saying to the media and how does it differ between research houses, because consumers – you and I – rely on this information to see where property is going. And I was quite shocked to see just how different the actual research houses are when it comes to assessing price growth.

One of the other questions we get is is the market overvalued? Well, like I was saying right at the beginning, we actually have to dial up the risk. Right now, having cash is probably not the best thing to actually be sitting on, although I do appreciate the safety in cash. I mean, $1 million today, at what banks are paying, will probably give you the amount of a pension, which isn't enough. So we're unfortunate in the situation that we do need to dial up the risks. There's always going to be volatility, but it's this volatility that we need to jump on.

I'm kicking myself. The day that Donald Trump was elected, it was an extremely busy day, and I didn't have a chance to have a look at what the market was doing. I knew it had fallen, that's for sure. I didn't have a chance to jump in and pick up some stuff, pick up some valued stuff, maybe that were in resources or healthcare. The next day, what happened to the share market, if you remember? It actually had its best day that it had in five years. And I'm kicking myself for that.

So, sometimes, like I was saying, the volatility is what we can embrace. Of course, rising interest rates will change the market, and, as I said, cash may not be your friend. We had the budget this week, and if I was looking for opportunities there, well, bank stocks may take a bit of a slamming, given the levy. But there are opportunities there, maybe. Healthcare may benefit. Infrastructure companies may benefit and childhood education companies may benefit. I guess what I'm trying to say here is that I am by no means an expert stock picker, but, just following what's common sense, where the opportunities are and demand is, is a way that you can tackle where to invest.

And, finally, is super still super? I always get that question. I'm very passionate about super, the reason being it's probably one of the best tax investment strategies that we have. It's a little miracle worker, I believe. And the thing with super, despite all the government changes – and, I know: I hate it each time the government does change super. It came out, and it was promised that this would be for our retirement, and it would be there for us, and nothing will change.

It is changing. I don't think the government may not stop tinkering with it. But, even still, so long as the tax benefits are there, I still believe it's one of the most tax-effective investment vehicles. And there is a sweet spot too. There is a sweet spot, and I think we'll go through some of the Centrelink changes as to what's happening there, because, in some cases, you may not need as much as the media does point out. I'm all about taking advantage of those caps and taking advantage of the tax brackets, but I do get worried when I get readers saying, "There's no way I'll have a million dollars in my super fund to retire. Can I survive?" You can, and there is a sweet spot so long as you understand to take advantages of the pension as well. And one of the reasons I do like it – it's pretty simple. It's just a tax haven.

I give this example. Someone is on 37 per cent, and they pop a thousand dollars into their super fund, are better off $220 as opposed to taking it in their hand. And this little slide is always worth mentioning. It was in Money Magazine. Dixon Advisory put it together for me, and, basically, it showed that you could be up to 500,000 better in tax by investing in super as opposed to investing in another tax environment.

Even if the difference was only 17.5 per cent and a three per cent return, you would still be better off 33,000. So I think we all agree tax is – super is one of the most tax effective strategies that we've got, and one of the campaigns that I'm very passionate about and also helping younger people understand the value of super is I'm working with ASFA on what we call Super Booster Day, and I'm very pleased that the industry really supported this, and it's a very simple message, one that I actually give to my daughter who's now doing some part-time work. Just a little in your super fund can make a huge difference, and I'm sure some of you have grandchildren or children or young children you may know. While in some cases it may not make economic sense for a young person to be salary sacrificing, the campaign here was, basically, just one less drink – I don't know if I like that actually.

Maybe I might change that this year. One less drink will kill me. But one less drink per month, that money going into a super fund, can actually see you have almost $40,000 extra, and that's the message that we went out with, and this campaign really came about because I was talking to a whole lot of people, and I was gobsmacked to realise that only seven per cent of Australians actually salary sacrifice. The reason also with super that I'm passionate about – we all know and we're all told that the pension is not enough. In fact, there's a shortfall of almost 25,000 a year between the age pension and what it costs to have a comfortable retirement.

We can't rely on just the super guarantee. If you've saved 40,000 and you've got 100,000 in super already, you will have a shortfall of almost 255,000 when you retire. How much do you need is a big question that we always get – ask, and ASFA quarterly says about 500 in your super, but, again, there is that sweet spot that you can find. And, finally, I did sneak in one more before I go. Should I boost my super or reduce my home loan? This is a question that we get asked a lot in Money Magazine too. I think the facts with this is a lot of people as they're heading into retirement do find that they've got a lot of debt.

Best to speak to your financial adviser because in some cases some may say, "You know what, actually salary sacrifice more into your super than pay off your debt from tax free money when you do retire", but for most of us I think it's a no brainer. You can't get a better return at the moment or a safer return than putting your money into your home loan. These are just some of the questions that Money Magazine gets asked all the time. I hope I've addressed some of your issues. I'm very happy to have a chat with a lot with you afterwards, and please enjoy the rest of this morning.

MR COULTER: Thank you, Effie. Much appreciated. And thanks for, you know, taking us a walk through Money Magazine as well. I mean, it's a real byword for lots of people. I mean, they really look at it, and what's on your front cover occupies a lot of people, you know, consumers in Australia, so really appreciate you taking us through that. I'm now delighted to introduce Malcolm Weatherley who's a senior private client adviser with AMP Advice.

Malcolm has over 40 years experience in the financial services industry and joined AMP Advice in 2005. Malcolm enjoys helping people plan successfully for their long-term goals, build wealth and manage life transitions. He says that the best thing about being a financial adviser is seeing the peace of mind that his clients feel once they know where they're headed financially and that they have a plan to get there. Please join me in welcoming Malcolm Weatherley.

MR M. WEATHERLEY: Thanks, Robert.

MR COULTER: Take a seat over there. So, Malcolm, thank you, firstly, for coming along. Now, before we get into the topics that you're going to discuss, we're going to talk a little about the recent changes to Centrelink, but before we do that are there anything else changing this year that you think the folks here or the folks online should be aware of?

MR WEATHERLEY: Yes. Good morning, everybody. And thanks, Rob. Yes. Yes, there's a couple of changes that are occurring on 30 June, taking place from 1 July, that people do need to be aware of. From 1 July, it's going to get a lot harder for people to get money into superannuation, so for people that are looking to tidy things up and to get a larger amount of money into superannuation, they really need to address that before 30 June. Also for people that are retired there's a new cap on the amount of money that you can have in a pension.

It is a reasonable sized cap at $1.6 million, but for anybody that has pensions that are over that size they really need to be addressing what they're going to do about that before 30 June and make sure that they've got arrangements in place. So there's still time to contribute some money under what we call the old rules, and if you do have those pensions, you need to start now or get some advice around them. A word of advice to anybody that has a defined benefit pension – and this can impact your cap, so you also need to be considering that when you're looking at any other money that you're holding in superannuations or pensions.

MR COULTER: So before we kick off I thought I would just set the scene, Malcolm, and correct me if I'm wrong, but on 1 January this year the changes announced in the 2015 Federal Budget – God, that seems an age ago – that impacted Centrelink entitlements came into effect, so when Centrelink determine how much pension someone is entitled to, they apply two tests. So there's the income-based test and the assets-based test.

MR WEATHERLEY: That's correct.

MR COULTER: Now, these are clearly two separate tests. They produce two clearly different results. Of course, Centrelink applied the test that results in the lowest pension, so the changes – these changes apply only to the assets test, if I'm correct.

MR WEATHERLEY: Correct.

MR COULTER: So the comments today only relate to this test.

MR WEATHERLEY: Yes, that's right. Yes.

MR COULTER: So in light of that what are the changes that Centrelink have made?

MR WEATHERLEY: Okay. So from 1 January the changes that were made – there was a slight increase in the lower level which enabled people to get the full age pension, so we call that the lower threshold, and then what has, in effect, happened – there has been a doubling of what we call the taper rate, so the taper rate is the amount of pension that somebody loses for every thousand dollars in assets they have. So, for example, prior to 1 January people used to lose $1.50 every fortnight for every $1000 in assets they had over that lower threshold. With the change to that taper rate they now lose $3 in pension for every $1000 that they have over and above that lower threshold.

So the impact of that is that the pension actually declines quicker than it used to, and it cuts out at a lower level of people. So, by way of example, a couple who own their own home used to be able to have almost $1.2 million in assets, and they would still get a small pension. That amount has now dropped to $820,000. So it has cut quite a few people out. So the impact is that a few people are getting more pension, but there's a lot more people who are getting a lower age pension or not receiving the pension at all. And, importantly, this impacts people that are on disability support pension, veteran's affairs pension and carer's payments as well.

MR COULTER: So a thing I hear in our office, Mal, and I heard a lot are responses that, well, sometimes we hear from people – was that, "Well, I better give away my money. I better spend it." What's your views on that? What are the consequences of doing something like that?

MR WEATHERLEY: Well, it's a common approach, and it was written about in the press a bit as well, and it can achieve the higher Centrelink benefits, but it comes at a cost, and it's not something that we recommend. In our view, getting rid of money just to retain or improve your pension is almost certainly going to leave you in a worse financial situation. We believe that you're always better to have more financial assets generating income rather than having less financial assets and having a slightly higher age pension, even after those changes this year. There are some well-considered asset reduction strategies that can work, but it's really crucial that people take this into account and think about their overall financial position, not just looking at age pension in isolation.

We think the goal should always be, "How can I improve my overall financial situation?", not just simply, "How can I get the most pension?" By way of example, people could choose to spend more money on a more expensive home or to do some unnecessary renovations, but you have to think through the ramifications of that. You lose the capital. You lose the income that that capital could be producing.

There's a risk of over-capitalising. I guess in the Sydney market maybe that's different, and then there's what happens if you need to get access to that money. You can't just sell off a bedroom, so you're looking at the sale of the property.

MR COULTER: You can Airbnb it, apparently.

MR WEATHERLEY: Well, perhaps, yes. Won't give you capital though. And you need to worry what happens if the rules change. You know, every year we have a budget with rules changing, and we're already seeing an assessment of the family home in age care. So locking money up in your residential property is not necessarily a good idea, and we find that most of our clients prefer the comfort and confidence that comes from having access to capital at a time that they may need it. You can think about giving money away. It is yours, after all, so you're free to give it away.

But from Centrelink's perspective, there are some rules around it, and if you give too much money away they see this as you depriving yourself of assets. So, from a Centrelink perspective, you can give up to $10,000 in one financial year or up to $30,000 in any five consecutive financial years – or over five financial years, not each, and those rules apply to a couple and an individual, as well. So there's no difference there.

MR COULTER: Yeah, okay. What are some of the simple things that people should consider to do?

MR WEATHERLEY: When dealing with Centrelink, the main simple thing where we see a mistake is people exaggerating the value of assets, like the home contents, cars or caravans. You need to be conservative in those valuations. It's – you need to be putting down a value that's representative of what you'd get for those assets if you had to sell it very quickly.

MR COULTER: At present value, or - - -

MR WEATHERLEY: Well, present value and a quick sale. So - - -

MR COULTER: Yeah.

MR WEATHERLEY: - - - it's not something that – where you're hanging out for somebody to come and pay over the odds. It's a quick sale. So your car, for example, I'd suggest, is what the dealer will pay for it, rather than what you may hopefully get for that 1967 GT Falcon. So a good approach is that if you haven't updated the value of cars, caravans, motorhomes, that sort of thing, they've done a few miles, or they're just a bit older, check and see what the current values would be and where it's appropriate go through and do an update with Centrelink.

MR COULTER: Now, are there any strategies that are worth considering – strategies that you're talking to your clients right at this moment about?

MR WEATHERLEY: Yeah, there are, Rob. Some strategies that are worthwhile, and particularly for people that are close to the upper thresholds, be they an individual or a couple – before we talk about those, I can't reinforce strongly enough that these need to be considered very, very carefully, as you don't want to leave yourself in a worse overall financial position simply to receive a little bit more pension. So as Paul would always say, my first recommendation is to have a chat with a financial advisor. A good financial advisor may be able to come up with strategies that give you confidence about the safety of your money whilst also giving you the opportunity to stretch your money a little bit further.

Running through things that it's worthwhile people considering, within those limits we just talked about, the gifting, if you're thinking about gifting some money anyway to family or friends who might have a significant birthday or want to help some family with education costs, etcetera, then making those gifts is going to lower your assets and will help your situation a little bit. Not a great topic, but those that are thinking about purchasing a prepaid funeral, a funeral bond or a burial plot, there are a couple of limits there, but the money that you spend on those won't count as an asset either, so you can put something aside for – so your family doesn't have to worry later on.

If you're a couple and one of you is below the age of 65 and the other is above the age of 65, it's actually possible to be holding money in the name of the person who is under age 65 in superannuation, and that money won't count towards the Centrelink assets test until you're aged 65. Now, this can be a very successful strategy, but it also comes with some conditions and risks and the money may need to be preserved for a period of time. So, again, it's something that you need to consider very, very carefully and, I would suggest, get some advice around.

For those that have pre-planned expenditure, so not just spending money for the sake of it, you're thinking about taking a holiday or doing some renovations, etcetera, bringing those expenses forward and spending that money now is also going to have the impact of lowering your assets and should assist you with your Centrelink situation. But overall most people in this situation are going to have to go through and revise their cash flow, consider how they maintain their income levels and revise any financial plans that they have in place, and these changes may result in having to draw down on your assets a little bit quicker than you thought you may have had to do before, and this needs to be considered very, very carefully.

Any specific strategies or financial plans that you had in place need to be reviewed to make sure that they remain appropriate. The last thing people can consider is the purchase of an annuity. Annuities can provide you with a regular source of income and can possibly also provide some asset test advantages over the longer term. This is because some annuities have a special calculation apply which means that it reduces in value over time for the assets test, as well, while it's paying you out an income according to a formula. But it's really essential if you're thinking about annuities that you seek advice to ensure you purchase the right product and that you understand the ramifications involved when you purchase that product.

MR COULTER: Just going off topic ever so slightly, but what are the downfalls? What would be a downfall?

MR WEATHERLEY: A downfall of an annuity is that, in effect, it's almost like a giant term deposit that locks in your money for a long period of time. We're in a period of very low interest rates.

MR COULTER: Yeah.

MR WEATHERLEY: You're going to be locking in the return of a relatively low interest rate, but it's not always just that simple, because it may come with some Centrelink benefits, so if you think about the combined - - -

MR COULTER: The trade-off.

MR WEATHERLEY: The trade-offs, yeah, yeah, the combined benefits, you can wind up – some people can wind up with a good situation.

MR COULTER: Yes, but seek advice. Now, Mal, for – and I'm thinking about many of the folks in this room, for many people on a – and our clients who are on a part pension, I'm thinking that the biggest loss may not be the actual pension, but the loss of the pension card.

MR WEATHERLEY: Yes.

MR COULTER: What's your views there.

MR WEATHERLEY: That was a great question up until the budget day, actually Rob.

MR COULTER: That's how fluid this is now.

MR WEATHERLEY: Yeah. So if I go back to where we were on Monday, people who had lost their pension card should have received the Commonwealth senior's health card and the low income health card, and these cards provided you with some of the benefits – some of the health benefits that they used to get in a pension card. We understand from the budget that the government is going to reinstate the pension concession card to all those people who lost them as a direct result of 1 January 2017 changes to the assets test.

So we'd assume that that means that those people will regain access to a lot of the benefits that they have lost now, and I'm thinking of council rates and drivers licenses and registration and that sort of thing, but nothing's – you don't have that benefit until that card's in your hot little hands, so I'd say – be saying let's wait and see how things go, and, when that arrives, then that's a really good bonus for people that have lost their cards.

MR COULTER: You know, like most things, it's in the budget, but it hasn't gone through parliament - - -

MR WEATHERLEY: Yeah.

MR COULTER: - - - it hasn't got ..... but it's good to know that's how fluid the situation can be. Now, I was, if – you'll like to hear this, but I was watching A Current Affair last night – I don't know if anyone else had time to watch it, but the next question I've got around – is around Centrelink and actually contacting Centrelink. Now, for our customers, we have to engage with Centrelink all the time. Have you got any suggestions about how you get through? If you were watching A Current Affair last night, people were on there for 40 minutes trying to get through. You know, it can be even more problematic if you're going in there in person. So Mal, your views on this.

MR WEATHERLEY: Yeah, we deal relatively regularly with Centrelink for clients. We hear stories of people trying to do it themselves and being on the phone for several hours just to get through. Our organisation, we've still got some very old technology called a fax machine, and that's the main way that we communicate with Centrelink. We will send faxes off to them, it gets into their work queues, and all the information goes through.

What we find from our clients, though, as well, is those that have – are comfortable with online services are registering on myGov and then following the steps through to be able to provide information to Centrelink through the online services, and our – some of our even 75 and 80-year-old clients and older have even downloaded the app onto their smartphones and are using their smartphones to update Centrelink. The only other suggestion is a letter, whack it in the mail, but I would be doing anything to avoid sitting on the phone, because it just takes too long.

MR COULTER: So rush out there. Go to Harvey Norman, get yourself a facsimile - - -

MR WEATHERLEY: Yes.

MR COULTER: - - - I'm hearing, not a carrier pigeon.

MR WEATHERLEY: I've actually had – clients have emailed me stuff and say, "Can you fax it off?" because nobody else has got a fax, so – yes.

MR COULTER: Fabulous. Well, I'm glad we've still got that technology. Now, I might pause it there. Thank you very much. If you could stay there. But what I would like to do now is invite questions from the audience. But ladies and gentlemen, could you please put your hands together and thank Malcolm Weatherley. I'm now going to open up to questions and, Effie, could I invite you back onto stage, if you could, and take one of the seats. If you would like to ask a question, there are microphones in either aisle here. So if you could approach the microphone if you have a question, and I will then direct it to either Malcolm or Effie. And we've also got people online. There are no questions online at this point in time, and there's a question here at number 2.

AUDIENCE MEMBER 1: Hello. My question is this 1.6 million, is that for an individual or is it in for a couple?

MR COULTER: Malcolm.

MR WEATHERLEY: Yes. So the 1.6 pension cap is for an individual, so a couple could have 3.2 million, for example.

AUDIENCE MEMBER 1: That's good.

MR WEATHERLEY: It's a nice problem to have.

MS ZAHOS: It's a nice problem to have.

MR WEATHERLEY: Yes.

AUDIENCE MEMBER 1: Thank you.

MR WEATHERLEY: No worries. Thank you.

MR COULTER: Number 2.

AUDIENCE MEMBER 2: Good morning. I think I just saw on the screen there it mentions something about if you have more than 1.6 million and – or is it less? I can't remember now. You have to start contributing now. Does it mean that if you have less than 1.6 million and if you are both 65, you can still contribute to super?

MR WEATHERLEY: No. So - - -

MR COULTER: Malcolm.

MR WEATHERLEY: Yes. So there's a couple of places where the $1.6 million comes into play. For somebody that has got a pension that's retired already, 1.6 million is the most money that they can keep in that pension. Also for somebody who's still working and accumulating and contributing to superannuation, if they have a current overall super balance – so they might have more than one fund, but an overall super balance of $1.6 million or more, they can't put any of their own money into superannuation any more.

The only thing that can go in is, like, employer contributions or tax deductible contributions. The rules around contributing if you're over 65 still exist, so you still need to be able to meet the work test if you wanted to put money into super, except possibly from the budget. There was the possibility, 1 July 2018, for people that are downsizing their home. It appears that they may be opening up for those people to be able to put the proceeds of that sale into superannuation if they do a downsizing exercise without having to meet the work tests.

AUDIENCE MEMBER 2: So for the 1 July 2018, if it should come through, there's no work test for those above 65 to 75.

MR WEATHERLEY: That's' what we're led to believe. There's a lot of ground to go between now and we need to understand the rules, but yes. It's specific for people that are downsizing their homes, and we understand that's going to apply – you would have had to own your home for 10 years, be selling it, and the proceeds of that – that a couple could put up to $600,000 into super at that stage. But there's a lot of – we saw last year, when they changed the superannuation rules, there was changes within those before it actually became law. So watch this space I think is the best answer there.

AUDIENCE MEMBER 2: Okay. Thank you.

MR COULTER: Thank you.

AUDIENCE MEMBER 3: As far as you can assess, for someone 65 who's self-funded or on a pension – so perhaps you can address those two – is going on a holiday, travelling overseas, for example, regarded as gifting, and could you be considered to be reckless – you mentioned before if you're on a pension and you give a lot of money away you can be considered by Centrelink to be reckless. Well, I'm self-funded, but I might be on a pension at some point, and I wondered whether travel is considered to be reckless spending. Do you know what I mean?

MR COULTER: What a great question.

MR WEATHERLEY: Reckless is probably not a term I would have used, but there is no – there's no equivalent for that sort of spending in the rules. So, in effect, you can spend your money however you like. It is the gifting of it – so giving it to family or friends – where it is the situation where they may hold an asset as being deprived. But if you're going on holidays and just spending money or doing up your house or anything like that, that's your decision. You always have to remember that once the money is spent, you don't have access to it.

MS ZAHOS: I think it's smart spending, that holiday. I will take it.

MR WEATHERLEY: Yes.

AUDIENCE MEMBER 3: My dad used to say they can't repossess a holiday, so invest in travel.

MS ZAHOS: Yes, that is very wise.

MR COULTER: I don't know if you heard that. Her father said you can't repossess a holiday. You're absolutely right. I might go to question – speaker 1, please.

AUDIENCE MEMBER 4: Thank you for giving me the opportunity to speak.

MR COULTER: Thank you.

AUDIENCE MEMBER 4: My question is to Effie. As a self-managed superannuation, is one rule that really disturbed me. Every year I have to withdraw money than if I don't need. One day I had to start to sell units. The first thing I will sell is the AMP sales. Why they don't change the rule? You, as the director of the magazine, could lobby the government to change that law. In another way, if I want to blow all my money – go to Las Vegas and blow out gaming, and I come back to Australia and claim the pension, they will allow me to do. That's really bad.

MS ZAHOS: I think I can answer the technical side, but I do hear what you're saying. Why can't you – are you talking about the four per cent minimum that you've got to draw down?

AUDIENCE MEMBER 4: Yes.

MS ZAHOS: Yes. You're saying you don't agree with that, or you would like to - - -

AUDIENCE MEMBER 4: Yes.

MS ZAHOS: - - - pull down as much as – you don't want a minimum. You want to keep it there.

AUDIENCE MEMBER 4: Yes, it should really be free to the people to withdraw every year as money as they need.

MS ZAHOS: Yes. It's – I will let you answer the technical one. Yes, it's a good question. I get it. It's surprising that a lot of people actually don't draw down as much as you would think, being very conservative in that, because there was talk about that you would have to put a cap on it or monitor how people spend it in the fear that you will just take the whole lot and do great spending on holidays. But it is a rule that's there, I guess, and – I can't really argue with it, to be honest.

AUDIENCE MEMBER 4: Well, you, as the director of the magazine, could do something - - -

MS ZAHOS: Yes.

AUDIENCE MEMBER 4: - - - to lobby the government.

MR WEATHERLEY: I understand why the rule is there. The rule is there because you're getting the opportunity to have money in a completely tax-free environment. It's like you had the money overseas, sitting in a tax haven. That tax haven is not designed for you to use it as an estate planning vehicle. So yes, you do have to take money out, and it starts at four per cent and goes up. Nobody forces you to spend that money, though. What you do with it afterwards – you can have it invested.

So I guess in an overall way, what the government is saying to you – we're going to give you the opportunity to keep some money in a tax-free environment, but if you take it out and invest it, we would like you to contribute to the coffers of the country by paying a little bit of tax on the earnings of that money. When we think about it, we're leaving something behind for future generations and paying our way a little bit. Perhaps that's not so bad.

AUDIENCE MEMBER 4: Okay. Thank you.

MR COULTER: Thank you. Question 2.

AUDIENCE MEMBER 5: I live in an retirement village, but I have two invested places in Queensland. Now – and I live there for three or four months of the year in one of them. Now, the council rates in Queensland are pretty hefty. Could the fact that I'm a part-pensioner help to reduce those council rates or not?

MR WEATHERLEY: I'm going to own up and say I've no idea, I'm afraid. That's – it's a council. Whether or not they're going to give you – do you hold the pension card?

AUDIENCE MEMBER 5: Yes.

MR COULTER: Yes. They may – you would have to – I'm sorry, I just don't know the answer.

MS ZAHOS: They're your investment properties, are they?

AUDIENCE MEMBER 5: What's that?

MS ZAHOS: They're your investment properties you're talking about?

AUDIENCE MEMBER 5: Yes, they are, yes.

MS ZAHOS: The best thing is definitely go to, like, a good quantity surveyor and make sure that you are claiming everything that you can claim on those investment properties to lower your costs in that way as well. But I haven't heard personally of any concession cards that's given to people to lower their council rates, unfortunately.

AUDIENCE MEMBER 5: What a shame. Thank you.

MS ZAHOS: Yes, I haven't.

MR COULTER: Thank you for your question.

MS ZAHOS: But definitely speak to a quantity surveyor to make sure you are claiming everything that you possibly can.

AUDIENCE MEMBER 5: Thank you very much.

MR COULTER: And we've got one question – or we've got a question that has just come through online from an investor in Launceston, Luigi:

> *How does the $1.6 million cap affect me? I have a super income stream as well as a DB arrangement.*

Malcolm, you want to have a go at that?

MR WEATHERLEY: So a DB – he would be talking about a defined benefit - - -

MR COULTER: Defined benefit, sorry, yes.

MR WEATHERLEY: Yes. So – so the rules there, as of 30th of June, the annual income from his defined benefit will be multiplied by 16 to arrange – arrive at an equivalent capital amount, so let's keep it easy; if he had $100,000 from his defined benefit multiplied by 16 is $1.6 million, so that's going to mean that his super income stream is actually outside of the cap. If it's less than that, he needs to look at what the total is with defined benefit income stream plus his super income stream and see whether or not he's got a cap problem.

MR COULTER: All right. Thank you, Malcolm. I might – I might hold it. Is there one more question? Sorry. One more question. Thank you. Question 2.

AUDIENCE MEMBER 6: Just a question. I wanted to know what are the rules and regulation over the depositing and capital gains tax to super? I've heard something.

MR WEATHERLEY: Yeah. Yeah. So we're starting to get in-between financial advice and tax advice here. You – I think what you're thinking about is being able to claim a deduction when you put money into superannuation, and that may, if the circumstances are right, offset capital gains that you've made in a circumstance. Strong advice – go and see a tax advisor and – and sort out – make sure you're doing the right thing in the right financial year as well.

AUDIENCE MEMBER 6: Thank you. And if I'm below 65, what are the situation of depositing money into super?

MR WEATHERLEY: From a rules perspective, you don't have a problem; you can put money into superannuation. It's just within the caps currently an individual can put in $180,000 or actually up to $540,000, so there's quite a bit of flexibility, but not all of that's tax deductible, etcetera, so you need to get good advice.

AUDIENCE MEMBER 6: So is that this year or just total?

MR WEATHERLEY: That's a total for this year, and it's – it – it varies next year, so, yes. You need – you need to make sure you sit with somebody that can take you right through the most appropriate way to do things.

AUDIENCE MEMBER 6: Okay. Thank you.

MR WEATHERLEY: Okay.

MR COULTER: Thank you. And we have a – a – a question from Richard in Melbourne online, and we'll have one more question in the – in the room here. So this is a cracking question, actually, because I think a lot of people would like to know this. If you have one – if you have more than $1.6 million in your super fund, do you have to withdraw the excess?

MR WEATHERLEY: So yes and no. The money has to come out of the pension fund, but it can stay in superannuation, so – so you can actually – you can be a retired person with a pension, which is tax-free, and then also have money in superannuation the same as you would have had when you were saving money, accumulating it. The benefit there is that the money in super pays tax at a maximum rate of 15 cents in the dollar. So you need to make sure that that's the right choice for you, though, as well, because if you've got $1.7 million in your super fund, and that's all you've got, you take $100,000 out, and you keep it in your own name, you won't pay any tax anyway, so keeping it in super may not be the right decision, so, again, it comes down to advice and making sure you're made the right decision.

MS ZAHOS: It's also worth noting if your super fund does exceptionally well and it goes over that 1.6, you're okay there as well.

MR WEATHERLEY: Yeah. Yeah.

MS ZAHOS: Because you haven't actually put extra in, so you can't be held responsible if you've had a great return on your fund. They won't be – you won't be penalised for that.

MR WEATHERLEY: No.

MR COULTER: Question 1, please.

AUDIENCE MEMBER 7: Good morning. Just wanted to get your views about maximising the non-concessional contribution. What if you have a private investments – in selling the shares in your private investment and using that funds to put it as a non-concessionary contribution in your super, but, in doing so, you actually will incur a capital gains tax by selling that investments and just wanting to know your general view on pursuing that sort of strategy.

MR COULTER: Malcolm?

MS ZAHOS: I was going to say, again, that's more of a tax aspect, because it will trigger a capital gains tax, and, sitting in there, you do have the benefits and the tax benefits as well, and, when you sell it, tax benefits – again, it's a personalised situation there that you should get an accountant to actually weigh it up because, in some cases, it could work for you.

MR WEATHERLEY: Yeah.

MS ZAHOS: Yeah.

AUDIENCE MEMBER 7: So basically you've got to do a – so a benefit and analysis to see whether that's really worthwhile in the future?

MS ZAHOS: Yes.

MR WEATHERLEY: Yes.

AUDIENCE MEMBER 7: Rather than a strict rule that it's actually more beneficial to put the money in the super?

MS ZAHOS: Yeah.

MR WEATHERLEY: Yeah. There's no easy answers to something like that. It's really sitting down and looking at it, and part of what your good advisors will do is always look at the end game, so it's about what you want to achieve rather than just what's happening now, so it's looking at the impact of what you do now, but then you weigh that up against the potential future benefits, and then make a decision, but it's understanding all the ramifications.

AUDIENCE MEMBER 7: But the 540 cap is reducing, isn't it?

MR WEATHERLEY: Yeah, it is. Yeah.

AUDIENCE MEMBER 7: To what level?

MR WEATHERLEY: In effect, to 300.

MS ZAHOS: 300, yeah.

AUDIENCE MEMBER 7: From next year?

MR WEATHERLEY: Yeah.

AUDIENCE MEMBER 7: Okay. Right.

MR WEATHERLEY: So you're talking about the bring forward there, which is people using three years' worth of the cap, yeah.

AUDIENCE MEMBER 7: Yeah.

MR WEATHERLEY: Yeah.

MR COULTER: Thank you. And a question here at 2.

AUDIENCE MEMBER 8: Hi panel. Thank you very much for giving us the very useful information. In the past, I'd always believed and have encouraged many friends and people to put money in superannuation fund, and personally I'm very disappointed to see the Federal Government tinkering with our superannuation fund rules, especially the 1.6 million cap coming on from 1 July next – this year. People should be encouraged to put money in the superannuation fund because, whether we are rich or poor, we need money in our pension.

If the government stopped tinkering, I think we have more and more ordinary people to put more money into the super fund and hence our pension – our pension will not be such a heavy burden on the government as more and more people are able to support themselves. I have two main questions. First, the 1.6 million cap: for those who are retired, what – can you please enlighten us on the strategies that are available going forward from 1 July 2017?

MR WEATHERLEY: The danger is there that I get into personal advice. So the choices you make are around whether or not you'll take money out of the superannuation environment and hold it in your own name or, as I mentioned before, keeping the money in an accumulation fund where the fund pays the maximum rate of 15 cents in the dollar tax, and that's going to be an individual assessment-type situation – that you work out, you know, "What's the best thing for me going forward?"

I'd say as well there's changes coming around the estate planning aspects, too, to superannuation because of some the rules, so it's about, you know, understanding if me or my family is going to be better off. There are definitely some strategies that I think good advisors will take their clients through about how to structure ongoing income and that sort of thing, but it's all very much of an individual basis and probably not the right forum to go too deep into that here.

AUDIENCE MEMBER 8: No, thank you. I understand that situation. Basically I'm not asking for you any advice. I'm asking for general information to enlighten us here what is available. Basically, I do my own planning, going back 20, 30 years ago. That's why all the financial planners are surprised about my different strategies, and now, because I'm thinking forward now, what should I need to do? I basically have money in a personal name – sorry, money invested outside super as well because I always believe you need money outside super and also money within super and planning ahead, so if you have any strategies, I will basically will be thankful to hear what are strategies available. I'm not asking you for any tax advice. I'm seeking information.

MR WEATHERLEY: Yes. Well, there's your first choice is whether or not to keep money in pension or is superannuation and then the strategies are actually going to flow from that: how much money do you draw out of your pension, how – do you take money out of your accumulation fund and what's the right one for you. But I don't know your particular circumstance, so we're really getting too deep.

MR COULTER: Now, and it might be worthwhile here. I will – I'm going to need to draw this to a close. But we have in the audience here – and you will see in each of these booths there's an AMP advice financial planner. It would be worthwhile if you would like to ask questions of them – Lachlan, Adrian and David are here as well and they may be able to assist.

MS ZAHOS: Thank you.

MR WEATHERLEY: Okay.

MR COULTER: Thank you so much. I would like to – I will take one more question from the audience then and then that – this will be the last question and then we will draw it to a close. Thank you.

AUDIENCE MEMBER 9: I would like to thank the panel for the interesting observations they've made. I just want to refer to housing because housing now is in a skewed situation where so much of a person's – a family's income is having to be devoted to raising the capital for the investment in housing and servicing the necessary mortgages. Does the panel see any future more satisfactory situation evolving for the younger generation? There's a lot of buying of houses for totally speculative purposes from offshore sources and so on and I think the situation has to become even in a regulated way a more normalised situation because how can you invest, as you've been wisely advising us to do, when housing becomes the biggest investment and all- consuming of your resources and income?

MR COULTER: Thank you. Effie, we had a very brief conversation about this prior to the session.

MS ZAHOS: Yes.

MR COULTER: We would love your thoughts.

MS ZAHOS: Look, the budget went some way to addressing affordability and, if you have time, I do suggest go online to the site and have a look at some of the many other proposals, so the account that Scott Morrison has come out with where you can salary sacrifice into super. A little disappointed in the sense that I think as more days unfold we will see just how hard it will still be and will that solve affordability. No, I don't think it will. It goes to some way to helping people save a little bit more, but you've got to remember that the maximum is 30K. That will give you $150,000 mortgage with a LVR, lending value ratio, of 20 per cent. So it's not a lot. It's some part way to it.

It also means you've saving in your super fund, and the tip I'm giving out there to people is check what asset class your fund is in because if you want that money in a year or two years' time and you're in a highly kind of aggressive situation of asset class, you may not have that money there if it's a bad time or – well, I mean, not have your money there. It depends on how the market is going. So, look, there are other suggestions in there, but the big problem is supply and until we address supply it is a hard slog out there. What we suggest, I guess, in the magazine is for a lot of younger people, you know, you've got to take a bit of discipline, get some kind of deposit up there, but rent-vesting is what we're seeing a lot of the Millennials jumping into: buy where they can afford and live where they want.

So long as, I guess, negative gearing wasn't touched, it seems to be a way that a lot of other people can afford it. But I'm glad the Government has stepped into a little bit of affordability, but will it address it? I mean, the downsizing, the 300,000, was also supposed to be a way for affordability. I don't see that having a big impact on it. I don't think a lot of people will downsize. There are a lot of costs involved and so. But I'm glad it's all on the agenda and we're trying to tackle it.

AUDIENCE MEMBER 9: Yes. Okay.

MR COULTER: Well, I think it's a question that's occupying lots of dinner tables around Australia at the moment. If we had the silver bullet we could have sold it.

MS ZAHOS: Yes.

MR COULTER: And solved it as well.

MS ZAHOS: I suggest kids will be living with their parents for a little while longer.

MR COULTER: Gee, my parents still love me so it's all good. No, just joking. Now, I am going to draw it to a close there. Ladies and gentlemen, thank you for your time this morning. That concludes the presentation. If you do have further questions, some of my colleagues, as I mentioned before – and each of those lit booths are – on the side of the rooms will be all too willing to answer your questions. Also a reminder that the AGM is on 11 am this morning in this room. If you're a shareholder and you intend to vote, please remember that you will need to collect one of the handsets. This is not a handset, but just a prop. Could you please join me in thanking today's speakers, Effie Zahos and Malcolm Weatherley.

MS ZAHOS: Thank you.

MR COULTER: Thank you and good morning.

SESSION CONCLUDED **[10.35 am]**