

AMP 2019 ANNUAL & INFORMATION SESSION

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 DR SHANE OLIVER, Chief Economist
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MR R. COULTER: All right. Good morning, ladies and gentlemen, and thank you. Thank you. Thank you for joining us for the information session this morning for AMP shareholders. My name is Robert Coulter. I'm delighted to be hosting this morning's session. So in today's session we're going to be hearing from two
5 speakers. The first speaker being Dr Shane Oliver, AMP's chief economist, who will share with us his thoughts on the investment outlook for 2019, and opportunities in the markets. I will then invite AMP advisor David Cuff to join me in discussing issues, like downsizing and super contributions, Centrelink impacts and age pension considerations.

10 We have left time at the end of the session for questions, which Shane and David would be happy to answer. You will be able to ask those questions from the appointed microphones to your left and right. Before we start, if I could have everybody just make sure their phones are turned to silent, that would be appreciated.
15 Now, of course, any information in this presentation is general in nature and doesn't take into account your personal objectives, financial situation or needs.

Our first speaker. I'm delighted to introduce Dr Shane Oliver. Dr Shane Oliver is one of Australia's most respected and recognisable financial commentators. Shane
20 joined AMP in 1984, becoming chief economist in 1994 and is now chief economist and head of investment strategy. Shane has extensive experience in analysing economic and investment cycles and what current positioning means for return potential for different asset classes, such as shares, bonds, property and infrastructure. Shane is very familiar to people in this audience and online. He's a
25 regular media commentator on economic and investment market issues, and engages regularly with investors at public events and forums. Please join me in welcoming Dr Shane Oliver. Thanks Shane.

DR S. OLIVER: Thank you. Okay. Thank you for your time today. As you will
30 have just heard, I started with AMP back in 1984, so I've been there 35 years, which is quite a long time. And I mentioned this last year, because last year the AGM was in Melbourne, and of course that was at a fairly tumultuous time for AMP: it was just after the first Royal Commission appearance, back in April. But one of the things that's always inspired me about AMP is that, if you look on the side of the
35 building, it says "Amicus Certus", and if you Google "Amicus Certus" – that's in Latin, but the English translation will come up, and full translation is something like "A Sure Friend In Uncertain Times". And that, to me, meant that AMP had a noble purpose.

40 When I saw The Social Network, and the history of Facebook, I kind of wondered whether they had a noble purpose, because it was about rating women, I think it was. But I always thought AMP had that noble purpose, so the events of last year really shocked me. And I'm hopeful that AMP is now getting back on track, but obviously that is going to be a long process. And they're the sort of questions you put in the
45 next section – not necessarily to me; I'm not an expert on those things – but I just wanted to say that the bulk of people who work at AMP come to do – not just the

bulk; 99 per cent of them – come to do the right thing by customers, by shareholders, by the community they’re in. So those events last year were just as shocking – those things we learned about were just as shocking to people like me, and everyone else there, as they were to people outside. So, anyway, I just want to
5 move on from that. Hopefully we get back to “Amicus Certus” as time goes by, and I think that’s critical here.

How do I see things? I want to start with a bit of history. If you’re an investor – so I’m going to talk a big picture: investment, macro. I’m not a stock picker; that’s not
10 my area of expertise. It’s the big-picture macro stuff. And you will find that what drives your investment portfolio is your big-picture investments. Not this fund manager over that fund manager, or this share over that share. It’s the big-picture exposure you have.

15 Now, of course, there’s a lot of noise out there. I have turned my phone off, hopefully, so it’s not going to ring, but if I do turn the thing on and I swipe right – and I’m not on Tinder – if I do swipe right, I get a lot of noise. The news pops up on an Apple phone, “Assange Sentenced to 50 Weeks In Prison”, all that sort of stuff. “Ecstatic and Dazed” – I won’t go on that one. A lot of stuff can be very distracting,
20 and these days people aren’t really focused. But to be a successful investor, you have to be focused. A lot of those things will throw you off.

That’s just over the last six years. Worries about the Fed tapering – remember that, back in 2013? Worries about Grexit, worries about China, worries about the
25 domestic Australian election result – that was three years ago – South China Seas, Trump, and so on. But share markets, over the last five years, investment returns generally have actually been quite positive. And I think that’s very important, to put all these things in perspective. Yes, these things can be very distracting, but generally, it turns out okay.

30 And what I’ve shown there is the major asset classes, their return over the last 12 months – this is in calendar 2018 – in blue, and the return over the last five years. And you can see that we did have some negative returns there for Australian shares and global shares. It was a somewhat messy year. If you looked at share markets on
35 Christmas Day, you probably didn’t feel that happy, because the US share market, to the low point on Christmas Eve, was down 19.8 per cent – almost 20 per cent. What a sharp fall!

But put things in perspective: on a five-year basis, returns across most asset classes
40 have actually been pretty good, with the exception of if you’ve got your money stuck in bank term deposits – not a great place to be at present. And if you had a well-diversified mix of investments, over the last five years, you would have done reasonably well. So I think it’s just worth putting these in perspective. We go through these moments in investment markets where we all get very worried, and
45 then, most of the time, it blows over.

One of the things I've learned in my career – my 35-year career – around investment markets is that it pays to be a little bit optimistic, because if you go back, historically, to 1900, you will find that, eight years out of 10, the Australian share market rises; seven years out of 10, the US share market rises. So if you spend your whole life
5 worried about the two or three years out of 10 where it will go down, you will miss out on those seven or eight years out of 10 where the markets tend to deliver for you. And, by the way, the reason we have those two or three years out of 10 where it goes down: that's the price we pay for the high returns you get from – from shares generally, relative to things like bank deposits.

10 Now, I reckon, given all of that, there's nine rules for investors to keep in mind, successful investing. I love emphasising this. If my daughter comes along to me and says – she did, actually, the other day – “How do you become a successful investor?” I said, “The first thing you do is make the most of compound interest. Try and invest
15 for the long term.” If you look at that chart there, put \$1 down in 1900 and reinvested your interest, today you would have \$238 in cash. If you put that money in bonds, you would have \$906. You've taken on a bit more risk, but you would still only have \$906. This is the compounding. If, alternatively, you put it in shares, and reinvest the dividends along the way, that \$1 would have grown to \$532,729 to date.

20 Now, a lot of setbacks that we don't like: 1930s; The Brady Bunch was canned, I got so depressed I sold all my shares; '87 crash – I could have zipped out of super back then. The share market halved over a couple of months. Fortunately I stayed, in a well-diversified portfolio. The GFC. You have those things. And that's the
25 cycle; you always got to allow for the cycle. The sun will go down tonight, but we know it will pick – it will come up again tomorrow morning. The time will vary a little bit from day to day, but that will happen. So that's the way markets work. Make the most of compounding. Always allow – there's going to be a cycle, but don't get blown off by the cycle. Try and invest for the long term. Always diversify.

30 I love dividends. This gets a bit close to home. One of you will be thinking, “Well, the company you work for just cut your dividend. So how does that work?” Well, that's a question for the next section. What I would say, though, is, it just highlights the importance of diversification. If you're after dividends, make sure you got a
35 well-diversified portfolio of companies paying decent dividends. That's the only thing you can really do.

Turn down the noise: very, very important. Increasingly, these days, we're
40 distracted. We go to see some art, and what do we do? We spend all our time looking at gadgets. And I'm not sexist here, or ageist; those guys over there are doing the same thing. I love this quote – actually, I like this – my mother, who's 86, was throwing out some old newspapers, and I thought this, and thought that was a really big thing. That's the Honolulu Star bulletin, 1941: “War: Oahu Bombed By
45 Japanese Planes”. Start of World War II. That was a big event.

A month or so I saw this in the Financial Review: “ASX Loses \$20.5 Billion In
Horror Session”. Geez, you think something terrible has happened. And you read

the story: the market was down about one per cent on that day, as everyone was obsessed with the inverting yield curve. I mean, I'm sure we've all forgotten about inverted yield curves now, but that was the big issue back then. And, of course, now the market has just kept going up.

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So a lot of these things come along and they distract us. Try and turn down the noise. I love this quote from a guy – I don't know if you watch Avengers; my son tells me it's a big thing at the moment. They've got their biggest film out ever; one of the most successful film franchises, after James Bond, I think, but anyway –
10 “When young people tell me about their problems, I like to tell them that story about the time I survived without my cell phone or the internet for 40 years.” Now, a lot of people would struggle. I survived without a cell phone or the internet for 40 years, and I reckon investors can, too. You don't have to be distracted by all this sort of stuff that blows around, at the moment, pretending to be fundamental news. So, just
15 quickly, ending on that, turn down the noise: very, very important.

Try and buy low; sell high. Trouble is, a lot of people do the exact opposite. Beware the crowded extremes. How many of us out there were piling into Bitcoin back in 2017, at \$19,500 a bitcoin, because everyone was talking about it. Even my
20 dog was asking me about Bitcoin. “Where's Bitcoin today?” It was \$5000 a share. Bounces all over the place. It's not the sort of thing I want from a currency. The currency that sits in my wallet here, \$50 today is worth \$50 yesterday. That's the sort of thing I would regard as a currency. Not Bitcoin; it's a joke. Beware the crowded extremes; that's that point.

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Focus on investments providing decent, sustainable cash flows, and investments you understand: that's very, very important. And seek advice. I don't know where you get that advice from. It can be the media; get some websites you rely on; it can be your financial advisor. But I think it's very important, with all of these things, to get
30 advice. Because even I've got a – believe it or not – I've got a financial planner.

So let's move on. How do I see things today? This is a summary. Now, as always, economists, investment strategists show up with too many slides. I've got too many slides, so I'm going to zip through a lot of them pretty quickly. But the key point
35 from all of this – now, I'm sure you can get a copy of these slides if you want – but the key point, I think, is that I don't see a US recession, I don't see a US recession, and nor do I see an Australian recession. That is the big issue here. Last year the US share market fell 20 per cent from its high in September to its low in December.

Historically, we've seen lots of them. We saw something similar in 2015/16. We saw something similar around 2011. Now, sometimes they go on, and a year later, you're down another 20 per cent. We're in the GFC, we're in the tech wreck, we're in the Brady Bunch collapse of 1974, but invariably, those really deep ones are associated with a recession, historically. They get a really deep decline in markets,
40 really deep bare market, you usually go into recession, and I don't see the evidence of that occurring.

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And I also see an environment – there was a bit of this last night with the Fed. I also see an environment where inflation is pretty benign. So historically, the economic cycle – whether you go back to the GFC or the tech wreck, it's often brought about because inflation starts to pick up, and the central bank slams the breaks on, and then
5 the cycle turns down, and share markets come down, and you end up sometimes in recession. I don't see a lot of evidence of that. I see ongoing competition. I know the price for health. I know the price for education is going up. But I know that I can do a lot of stuff on this, and if I don't want to get the Apple version, I can get things which are a lot cheaper.

10 I was looking at one of those newspapers my mother showed me. In 1966 when LBJ came to Sydney and it had an ad for a Hanimex slide projector – you know, back in those days, sixties and seventies, you used to go to slide nights. Most of the time, the damn slides got stuck in the projector, and this one would automate the projection of
15 the slides on the screen, and it cost \$80. Can you imagine what \$80 was worth back in 1966? It would buy probably 166 ice creams. These days, it might be, I don't know, 20 or something. So it was worth a lot of money back then. These days, you can do all that stuff on here. You can watch a whole film on here. So the price for a lot of this stuff has come down. The cost of overseas travel, the cost of cars and so
20 on, and you've got this intense competitive environment keeping inflation low, and that's why we've got very low interest rates.

It's very different when I started my career, and interest rates were very high. At one stage there, I could get 15 per cent at call in the bank. You can't get that any more
25 because inflation has collapsed. That's the world we're in. Now, a lot of people say to me, well, how come you keep saying the Reserve Bank should cut interest rates? Don't you think of savers? Don't I think of my own mother? My mother is always complaining about this low interests rates. Well, my job is to try and work out what the Reserve Bank will do, what interest rates will do, what house prices will do, what
30 the economy will do. So that's really what I'm saying there. I think we're in an environment of constrained growth, low inflation, and that means ongoing low interest rates. In Australia's case, I think, ultimately interest rates will fall a little bit further.

35 So – but the big point is I don't see a recession. So what I've shown here is various indicators of business confidence for manufacturing and for service companies, and this is globally, and you can see there that they come down from their highs. A year ago, they had come down, but they're nowhere near the levels we saw at the time of the GFC. Business is the same. Things have slowed down, but they haven't
40 collapsed. This is not the GFC. It looks a bit like what happened in 2015/16 and what happened in 2011/12. So no collapse. This is the point that I'm trying to say. No recession there.

45 If you go to the US economy, very low unemployment. Very strong levels of employment. Overall confidence levels are pretty solid. So the US economy looking pretty good. Is there going to be a recession in the US? I don't think so. I look at a whole bunch of indicators. The recent obsession was the yield curve. Anyone hear

about the yield curve? Put your hand up. Yes. Quite a few people. Well, economists like me love to throw out fandangled terms because it makes us look impressive, and, historically, it has been the case that US recessions have been preceded by long-term interest rates falling below short-term interest rates. In other words, where the yield curve has gone negative or inverted, and that's what happened recently. Depending on how you measure it, it went negative.

Only problem is – and as I said, that has preceded recessions in the past. Sometimes, it gives false signals back there and there and there, and if you had acted on the basis of that, you would have been totally wrong-footed. If you had sold all your shares six weeks ago, and everyone was talking about the inverted yield curve, you wouldn't look so flash today because shares have actually gone up. The other thing to note is that the gap between a yield curve inversion and a recession in the US, these grey bars here – and that's 1985. So I've got the – almost 40 years' worth of data there – the gap between a yield curve inversion when it goes negative and a recession is around 15 months. So you can be waiting quite a long time before you actually go into recession.

The other thing to note is that the other indicators you had looked for for a recession in the US are simply not in place. You don't have high inflation. You don't have the Fed slamming the brakes on. Interest rates in the US are still relatively low. You haven't had overinvestment. You haven't had a housing boom. You haven't had a tech boom. So yes, the share market might be higher than you regard as comfortable, and I do – I'm a bit cautious about that, but I don't see the conditions being in place for a recession in the US, and that's pretty much the case globally as well.

Now, why was everyone last year worried about tariffs? Well, it's quite simple. That's the Boeing 787 – not the 737 – the Boeing 787 Dreamliner. I was on a 737 yesterday, but it was the older one, not the max, fortunately. Now, the point about that is that all those bits on that plane there – you might worried when you see this because you can think the bits can fall off when you're flying along, but no. I'm reasonably confident they won't, but the point is all those bits are made somewhere else around the world including in Melbourne. So if you've got governments talking about a trade war tariffs, blockages to free trade, you can understand why investors, like companies, get nervous these days because they have a global supply chain.

So that's why when we went through last year, you can see why share markets got a bit nervous as we went to the end of the year because there was a worries about a trade war, and there was those concerns about US growth, global growth slowing down a little bit, and there was this worry that the Fed would raise interest rates too much. Now what has happened if I go back through those things, you've got Trump and China talking about resolving their trade differences. I don't know how successful they will be, but it does seem that Donald Trump wants to get re-elected next year. The last thing he wants is unemployment rising as he goes into that election campaign because you don't get re-elected when unemployment is going up. Just ask Jimmy Carter and George Bush Senior. That doesn't happen. So he knows

that. He wants a deal, and I think ultimately they will have a deal. So the trade issue is starting to fade.

5 In the meantime, the US Central Bank, the Fed, has said, well, inflation is still relatively benign. We're probably not going to continue raising interest rates. We're on hold. We may not cut them, and that explained last night people were looking for a cut. So they didn't get a cut. So the share market came down, but we're not going to hike rates either, and, overall, economic conditions globally still holding up okay. So that's what's happened globally. I won't go through that chart there. Bit of good news there. Apparently Mexico has decided to pay for the wall as long as they can box him into a little box there. I'm a little bit sensitive about Donald Trump. My son, cheeky little guy, about 17, says, "You know, Dad, with that haircut of yours, you look a little bit like Donald Trump," and I said, "Well, I'm not using hairspray, and the other thing to note is that his part is down here. Mine is up here", and he says, "Well, give it a few years Dad". My part will come down to where Trump's is.

20 Anyway, let's – I won't talk about – I'm not going to mention much about Eurozone because I don't think it's a major issue. I know it's a big issue for us with the UK if you've got UK heritage, all that sort of stuff, and we all listen to the ABC, and the ABC gets its news from the BBC and blah, blah, blah, blah, blah. But the reality is that the UK is not a member of the Eurozone. It's not Italy. It's not Greece. It's not France. There's no threat here to the Eurozone. And the whole Brexit debacle has just shown how hard it is to get out of the European Union because they want to have their cake and eat it too. They want the free trade, but they don't want the costs, acceptance of European rules that go with that. So this is a mess, but I don't think it's going to cause a major problem for Europe, whichever way it goes.

30 For the record, I think ultimately either they stay in the EU or they have a soft Brexit. It looks to be little support for a hard Brexit in the UK Parliament. China, bit of a slowdown there occurring. Had to happen. You can't grow 10 per cent forever. So they've slowed down, but, again, there's no sign of collapse. When I look at the Chinese economy, I go there every six months at least. I don't see any sign of collapse. I see a lot of investment occurring. I see traffic jams. I see airports which are built, and then suddenly they're all jammed up. I see an economy that's still growing pretty solidly, just not the 10 per cent pace of last decade, more around six and a half per cent which is probably more sustainable. This all brings me to interest rates.

40 So you've got a world which has slowed down a little bit, but it hasn't collapsed. You've got central banks saying, well, okay, we were thinking of hiking last year. Now we're seeing a world of still low inflation for the reasons I mentioned earlier. So interest rates globally are staying pretty low, and the mob who were raising interest rates, this green line through here, is the US Federal Reserve, and they're on hold. So the environment globally is one of okay growth, low interest rates, low bond yields, and historically, that has been a reasonable environment for investors.

Now, I'm not going to say you're not going to have corrections because you will. Markets – China has gone up 30 per cent, US 25 per cent. We're up 15 per cent this year, or from the lows around December. And so, yes, we are going to have some sort of pullback, sell in May and go away. But the other part of that saying is come
5 back on St Leger's Day. You can look that up. But overall picture, I think, is quite reasonable. Yes, we will have volatility, but the overall picture, I think, is quite reasonable.

Now, I did a little bit worried last year when I saw this Economist magazine on
10 Australia had the kangaroo going through the clouds, "Australia rules". Why did I get worried about that? Because 10 years ago Brazil had a cover magazine called "Brazil takes off". And guess what happened? That was the time you should have sold your Brazilian shares, November 2009. And then four years later, they
15 recognise, "Well, Brazil has actually got a few problems redeem is crashing into the market". That was actually the time you should have bought Brazilian shares, because it has now gone back up again. So I do worry that that cover magazine there might have been the kiss of death for Australia and the next time we see Australia on the cover, the kangaroo will be crashing through the cloud. So that is a bit of a
20 concern.

Why are these worries about Australia? It's basically about housing. That's the main concern. We had a housing boom in Sydney and Melbourne; that's now coming off the boil, and prices are coming down. And that is a bit of a drag on economic growth. And that's why people are talking about the looming recession. I
25 saw this ad somewhere, maybe in the Financial Review or somewhere online. "The looming Aussie recession and how to survive it", that was from the Daily Reckoning. And you can get your free report there, because they want you to subscribe to their service and give them money over time.

Now, the only thing I would say about that is, right now, if you google "the
30 Australian recession of 2019" you will get 26.8 million references. There's a lot of talk about a recession. I don't think we're going to see one. I do think we will see constrained economic growth in Australia, as the housing cycle turns down, and that weighs on consumer spending, but I don't see a recession. There's a bunch of
35 reasons for that. Maybe I won't use that chart. I will use this one here.

We had a mining investment boom a few years ago. It came to an end. People said when that ended we were going to be ruined. We weren't ruined, because other parts of the economy took over it. It's the exact same story today. The housing boom was
40 in Sydney and Melbourne, prices are coming down; they're down 15 per cent in Sydney, down 11 per cent in Melbourne, and I think there's probably still a bit more to go. Still a bit more downside. Now, bear in mind here I'm not necessarily doing that so I can jump into the housing market; I'm just saying what I see out there. There's a bunch of negatives affecting housing, and some of them are summarised on
45 this chart here. That's a wave hitting the eastern suburbs of Sydney.

It has become harder to get a loan. You've got record unit supply. The crane count in Australia has gone through the roof. The number of cranes building residential property is running at over 500 cranes; up there doing residential alone, which is more than the whole of North America. So a massive number of cranes, including in Sydney. So a huge amount of unit supply hitting the market. It has become harder to get a loan. You've got a collapse in foreign demand, you've got people switching from interest only to principal and interest. So all of these things are acting as a drag on the property market. But I also want to put that in perspective.

10 I don't see any evidence of broad-scale panic selling: people defaulting on their loans, "Here is the keys, you work it out", sort of thing, and then the bank putting those properties on the market. I don't see that. I don't see a crash in the property market. But I do think we've got more downside to go. The other thing to note about that is that it is confined mainly to Sydney and Melbourne. Other cities either
15 have already had their downturn, Perth and Darwin, or they never had a boom in the first place, which is Brisbane and Adelaide. So, yes, we've got a property downturn, but I don't think it's enough to drag the economy down.

Now, in the meantime, there's other part – I better speed up here. There's other parts of the economy which will keep us going. So I mentioned earlier a few years ago mining investment collapsed; that's now getting close to the bottom, so that should help the WA economy. We've also got strong export growth coming through, and there's an infrastructure spending boom going on. So there's a bunch of things that will help the Aussie economy, even though housing is a drag.

25 So that's why I'm not overly gloomy on Australia. I do think the Reserve Bank will have to cut interest rates. I think that fiscal stimulus we're seeing in the budget will help, although it's probably not enough. But I don't think we're going into recession in Australia and, therefore, I think the broad trend in the Australian share market will
30 remain up, even though we've run up a little bit too far, too fast so far this year and we might have a short-term pullback.

So I might just zip on from some of these point to this point here. After today you might think you need a drink. How many drinks should you have per day? I came across this one day when I doing a seminar. Often, after me they say, "He is an economist. He will be dismal. We better get someone else to make everyone feel happy", and this guy called Dr John had this little graph, which I've hand-drawn here, and it shows the optimal number of drinks per day. In other words, if you have zero drinks per day, you've got a high chance of dying. If you have two per day,
40 your chance of dying declines. But if you have six, your chance of dying goes back up again. So you might as well not be a teetotaler and have six per day; you've got the same chance of dying.

Now, the thing to note about this is always that red, all those antioxidants, is better than white, is better than beer, is better than spirits. And often with spirits, you have lots of sugar in there, which is not so good for you. The other thing I noticed was in America, and this was interesting – this is a survey of the recommended guideline

number of drinks per day. In Australia, roughly speaking, it's two drinks per day is the daily guidelines for both males and females. That's Australian – that's, what is that – that's for women and that's for men, through here. So two drinks per day, for both males and females.

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In the US, the guideline is for four drinks for males – for females per day – and over five drinks for females. So you can, sort of, see what has gone on here. Why did they vote for Donald Trump? They were drunk or they had had too much drink over the years and that had destroyed their brain cells. But, anyway, the number of drinks per day when you get home tonight is two, and red is better than white and white is better than beer. Just bear that in mind.

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So if we just move on here, good news in the budget, I felt. Budget is heading back towards surplus. I kind of like that, because I like the fact that if we have a surplus, if we have a rainy day, a recession at some point, then there is scope to ease fiscal policy. I think that is very, very important to be able to do that. So a bit of good news there. Also a bit of good news with tax cuts, whether it's Labor or Liberal, low and middle income earners will get about \$1080 a year in a tax rebate once they fill in their tax return. So that's good news. Of course, I think that took a while to get there. There is now an election underway, and then it's, obviously, quite a big difference between Liberal and Labor.

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But if you want to summarise the differences, obviously – and you know this just by reading the media, Liberal is quite clearly on the low-taxing side and, therefore, less government intervention. Labor, of course, would argue, “Well, we can't afford those tax cuts that Liberals are talking about. Plus, we're going to increase taxes on some other areas, but we're going to spend more on things like child care, education and health”. So quite a big philosophical difference, and that will impact parts of the economy, including self-funded retirees relying on their franking credits. I can take questions on that if you want later.

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So, yes, there will be issues about that. And I would say we're facing the biggest difference between the two major parties than we have seen at any time since the 1970s, so quite a big divergence there. Budget, yes, it was – this was the Prime Minister just after the budget, yes, doing a Borat sort of thing. I thought it was good. Maybe not that good, but, nevertheless, at least it's heading back in the right direction. I do worry about this. So far this decade we've had the same number of changes in PM as Italy has had. This is not good. If we change PM in a few weeks time, then we will be worse than Italy. How can you set policy with such instability? I think that is a major concern. I've gone through the policy differences there and happy to take questions on that.

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I just want to end on this bit about the investment cycle. This is very important. We have a lot of debate here as to where we are in the cycle. Are we late-cycle? Are we early-cycle? If you're late-cycle, then you would have to say, “Maybe there's major bear market around the corner there”. But as I said earlier, we probably are somewhere here – we're not down here any more. We're probably somewhere up

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here. But we're still a long way from that point where inflation becomes a problem and central banks slam on the brakes. And I think that gives me a bit of confidence that the expansion in the US economy, the global economy, the bull market and shares probably still has more upside to go before it comes to an end.

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And this was that point I made earlier. If you look at share markets over the last few years, we've seen a lot of pullbacks. These things should be regarded as normal. They happen all the time. Last year, global shares down 18 per cent, US shares, top to bottom down 20 per cent. We were down 14 per cent. Something similar just a few years ago and something similar just a few years before that. And that is just this decade. That's just the way the market works. You get this volatility. We have to learn to live with it. I might just zip over that one, because I've already made the point – that those big declines in share markets historically have been associated with US recessions. So, yes, we get 20 per cent falls, but if you're going to get a recession, then it's probably going to be a lot deeper. And I don't see that.

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Just finally, the Aussie dollar. I often get asked about this one. Obviously, a lot of people go on holidays. "What should I do?" My standard response is, "Buy half now and buy half later," because it's very, very hard to get the currency right. Now, I have a view the Aussie dollar will go lower. That's why I would say buy half now, particularly if you go into the US. The reason I say it will go lower is because the Reserve Bank is more likely to cut interest rates than the US Central Bank is and, historically, when our interest rates come down, it makes it – it makes the putting of money into Australia less attractive.

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So, therefore, I said the Aussie dollar ultimately pushing below 70 cents and going into the 60s against the US dollar. So I might wind up there. Key point from all of that is to try and invest for the long term, make the most of compounding if you can. Always allow – there's a cycle there, but the key point – the very – this point in time is I don't see we're about to go into global recession. Therefore, I think the broad environment for investors is reasonably positive. So I might wrap it up there and hand it back to Robert. That's just the disclaimer that says if you thought I was here, you're imagining things or something to that effect. Thank you.

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MR COULTER: Thank you. Put your hands together for Dr Shane Oliver. Thank you, Shane. And, Shane, if I could invite you to come back up later, and we'll take questions from the audience.

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MR OLIVER: Sure.

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MR COULTER: Right. Now, I would like to invite AMP adviser David Cuff to the stage to join me in discussing downsizing in super contributions, the Centrelink impacts and some aged pension considerations. So David has worked in the financial services industry since 2005. He joined IPAC which is a wholly owned subsidiary of AMP in 2007. David has specialist knowledge in superannuation and retirement planning. David actively works with clients who are in or transitioning to retirement and provides expert knowledge in this area. David has a Graduate

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Diploma in Applied Finance and Financial Planning, a Bachelor of Commerce majoring in accounting and finance and is also a member of the Financial Planning Association of Australia. Please join me in welcoming David Cuff. Welcome, David. Thank you so much.

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MR CUFF: Robert.

MR COULTER: Thank you. David, thank you. Thank you for taking part today. David, firstly, I want to talk about downsizing, and downsizing in super contributions. So this is a relatively new piece of legislation. As I understand it, it was passed on December 2017. It came into effect 1 July 2018. Could you give the folks here and also the folks who are listening online a sense of, you know, what that is.

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MR CUFF: Thank you, Robert. It's a pleasure to be here. Yes. The downsize in contribution is a new piece of legislation that has been brought in as of 1 July 2018 which will allow people over the age of 65 the ability to put money into superannuation up to a figure of \$300,000 without some of the impediments that would normally be there for such a age and balance.

15

MR COULTER: Okay.

MR CUFF: So what you need to do is you need to be able to meet a few eligibility requirements. So number 1, you need to be aged 65. Number 2, as we said, the contract for sale needs to be signed on or after 1 July 2018. Number 3, the property that you're selling needs to – you need to have owned for at least 10 years, and for some point in that ownership period, it needs to be your main residence, and the other critical point is once you do sell the property, the proceeds need to be contributed to your super fund with an approved election form within 90 days.

20

MR COULTER: Okay.

MR CUFF: So that will allow you to make the contribution. For those that are a member of a couple, if the property was owned by one of the two, both people are able to make the contribution or up to \$300,000 into the super fund as well. And there's actually no requirement for you to downsize. So selling a property, and you might decide you're going to rent, or you might move to a property that you already own – another property that you own, there's no requirement to actually downsize to be able to make the contribution.

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MR COULTER: Yes. It's an interesting terminology, isn't it? So I just want to dig to each part of that, if I could, and so can we just talk about the timing for a moment. When is it effective from?

MR CUFF: Okay. Yes. So there's three critical elements for timing.

MR COULTER: Yes, yes.

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- MR CUFF: So number 1, the sale for the contract needs to be signed on or after 1 July 2018. So that's a critical point. A day earlier, and it doesn't qualify. Number 2, from a timing perspective, you need to have owned the property for at least 10 years. The third part is the contribution to the super fund. So once you receive, settlements
5 happen, and you receive the proceeds. You've got 90 days in which to make that contribution to your super fund, and it's really important to also make sure that the election form which tells your super fund what type of contribution is being made, a company's – or is sent to the super fund prior to the contribution being made.
- 10 MR COULTER: So the critical date here is you've got to have held a property since 2008.
- MR CUFF: Effectively, yes.
- 15 MR COULTER: Yes, effectively. Okay. So I just want to dig into it a little bit more. I want to talk about – so does that property have to be your main residence?
- MR CUFF: It needs to be your main residence for some point throughout the
20 ownership period.
- MR COULTER: Yes.
- MR CUFF: So that might mean – so main residence – what that means is that at
25 some point in time, it was your main residence, and you probably resided in the property there. It doesn't need to be your main residence for the full duration of ownership. So that might mean that a property that you're renting out now that you previously lived in would qualify, or a property that – or vice versa, a property now that was previously rented out, it would still qualify.
- 30 MR COULTER: Okay. And what's the sort of – what's the definition of a residence? So does it have to be located here in Australia or owned in Australia or
- - -
- MR CUFF: It needs to be located in Australia. So number 1, it can't be the holiday
35 house overseas that you sell. It needs to be a residence within Australia and actually also needs to be a physical residence. So something like a motorhome or a houseboat or a caravan.
- MR COULTER: Yes.
- 40 MR CUFF: That won't qualify. It needs to be an actual physical dwelling.
- MR COULTER: So it's very much a sort of bricks and mortar strategy.
- 45 MR CUFF: It is absolutely bricks and mortar.

MR COULTER: Okay. So then you've got me thinking as you were talking there – when you were talking about a couple, what happens in the event of sort of relationship breakdown or a divorce? So you've – we've both owned that property, and then we've participated in this particular strategy.

5

MR CUFF: Okay. So it's a good question. For someone that is selling a property as a result of a relationship breakdown, you can use the downsizer contribution should you meet the prerequisites, but each member or each party within the couple there can do the downsizer contribution once in their lifetime, but they have the choice when they choose to action that. So one party of the couple might decide to exercise the downsizer contribution selling the joint family home.

10

MR COULTER: Yes.

MR CUFF: The other party might decide to defer, and should they have another property in the future that ticks the boxes and is a – an appropriate property, they could choose to exercise that downsizer contribution 10 plus years in the future.

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MR COULTER: Okay. So it, essentially, is down to each individual is treated as an individual.

20

MR CUFF: You get a one-off opportunity, and you can choose to do that when you wish.

MR COULTER: Okay. So as I understand it, if you've sold your main residence, and you can make a contribution – so what is the actual contribution you can make?

25

MR CUFF: It's a maximum of \$300,000 per person. So – and that, as we said, is a one-off opportunity for \$300,000 which needs to be made within 90 days of your receiving those proceeds into superannuation. So that's irrespective of existing superannuation balances. As long as you're over 65, you can – and you meet those requirements, you can make a contribution of up to \$300,000 per person.

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MR COULTER: So it doesn't have to be 300,000. It could be – could it be multiples of 100,000, for example?

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MR CUFF: You could have multiples of \$100,000 - - -

MR COULTER: Yes.

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MR CUFF: - - - up to a maximum, but you need to make sure all those multiple contributions are made within that 90-day period.

MR COULTER: Sounds like someone – we need advice. So what about timing? I'm interested about the timing. Is there anything that people should be, you know, critically aware of around timing if you were contemplating this?

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MR CUFF: Three key elements for timing.

MR COULTER: Yes.

5 MR CUFF: So number 1, the date at which that contract is signed. So 1 July 2018.

MR COULTER: Yes

10 MR CUFF: So if you're selling a property now, it will already meet that requirement.

MR COULTER: Yes.

15 MR CUFF: Number 2, the property needs to have been owned for 10 years. So a minimum of 10 years' ownership, and at some point in that time, it was your main residence, and number 3, the critical part there is once you sell and you receive the proceeds after settlement, you've got 90 days in which to make the contribution to the super fund.

20 MR COULTER: And as long as you satisfy those. So in your expert opinion, what are the things that people need to be really – should be conscious of or be really aware of if they're taking advantage of this?

25 MR CUFF: So the downsizer contribution will allow you to make the contribution into superannuation, but it won't necessarily allow you to put that into the tax-free allocated pension structure which I'm sure most of the folks here would be fully aware of, and that's where a lot of people in retirement are getting their retirement income for.

30 MR COULTER: So they're – yes. They're drawing their weekly, monthly, etcetera.

MR CUFF: Yes.

35 MR COULTER: Yes.

40 MR CUFF: Their expenses are being paid for from an income stream from their super fund. And the amount you can put into an allocated pension structure hasn't changed. So for some people it might mean that they can put money into superannuation, but if they've met their maximum amount within the allocated pension structure, they may have to keep it in accumulation, which, for some people, if they're not paying any tax in their own name, might mean that holding funds in super is not in their best interest, because they can pay less tax elsewhere.

45 MR COULTER: Right.

MR CUFF: The other consideration that I'd want to run through with people is Centrelink implications.

MR COULTER: Absolutely.

5

MR CUFF: So the house that you live in, your principal residence, is an exempt asset for Centrelink, which means that it's not counted towards the assets test. And, at least with most of my clients, retiree clients, it's the assets test, the Centrelink assets test, which determines how much income they're getting from Centrelink. So changes – selling an asset that's exempt, for some of my clients, may mean that the pension that they receive from the government reduces; for some, it may mean that it's eliminated.

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MR COULTER: You just spoke about Centrelink. Can you just expand on that? Just work with me here. Can you expand on that, just how it impacts the age pension, though.

15

MR CUFF: Okay. So – so the – as we've mentioned – the house you're living in, your principal residence, is an exempt asset.

20

MR COULTER: Yes.

MR CUFF: So if – for most retirees – if they are caught up within the assets test for their – which works out their Centrelink entitlements – here, I think we've got a slide somewhere.

25

MR COULTER: There we are.

MR CUFF: So looking to your – to your left here – a couple – homeowner couple can have up to \$853,000 in assets, not including the house they live in, and still get a part pension. So if you sell the house you live in, and you don't spend all of the proceeds of that sale on a new property – so you do downsize, effectively – those funds are now, depending on where you held them, would probably be an assessable asset, which means that the amount of Centrelink that you receive may reduce. So

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MR COULTER: Right.

MR CUFF: If you're a couple, with a – that you've bought a new home, if your asset base now is over \$853,000, your Centrelink entitlement will cease; if it's below 853, it may have been reduced.

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MR COULTER: Okay. So there's some pretty critical components there.

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MR CUFF: Yes.

MR COULTER: I mean, pretty important that you seek advice if you were considering something along these lines.

5 MR CUFF: Absolutely. I'd want to know, firstly, is it in your best interest to make the contribution - - -

MR COULTER: Yes.

10 MR CUFF: - - - if you can't put it into the tax-free environment, number 1. And, number 2, will it impact your Centrelink, and what change to your income may occur as a result?

15 MR COULTER: Well, then, a logical question on for that, then – can I ask you about what – when you're talking to your clients around this, what are you talking to them around – from a sheltering strategy perspective, what would you be considering?

20 MR CUFF: So when people are referring to sheltering, what they're referring to is holding assets where they're exempt from the Centrelink assets test. So, as we've just said, your – the home you live in is an exempt asset, but also superannuation – the accumulation phase of superannuation, for someone that's under the age pension age, is also not counted for Centrelink asset – the Centrelink assets test there. So it's an exempt asset.

25 MR COULTER: Right.

30 MR CUFF: So, with the age pension age increasing, to age 67 – so anyone born after 1 – in – 1 Jan '57, they have a age pension age of 67. So there may be, for some couples, the ability to make a downsizer contribution after the age of 65, but hold it in the accumulation phase of superannuation for a couple of years there, where it's not counted towards the Centrelink assets test. So there's a small window there where they may be able to get some Centrelink relief with the contribution.

35 MR COULTER: Okay. David, I also – I want to get your opinion around the Budget. And I know Shane has been kind enough to put up, you know, his thoughts. Very keen to get your thoughts around what your clients are asking you about, and what you're interested in. Before I do that, can you just summarise, for the folks here, you know, that particular downsizing contributions.

40 MR CUFF: So, yes, the downsizer contribution is available now, which will allow people over the age of 65, who meet certain requirements, which are – as we said, you need to sign the contract after 1 July 2018, for a property that you've held for at least 10 years, and at some point it was your main residence, and thirdly you make the contribution within 90 days – it allows those people the ability to put some funds
45 into superannuation without some of the blocks that currently – that are in place at the moment, such as age and superannuation balance.

MR COULTER: Fabulous. So the Budget: what – from your perspective – what are your clients asking you about? Now, I – firstly, I recognise, the Budget is not passed.

5 MR CUFF: Yes.

MR COULTER: It's something potentially in the future. But what are people talking to you about? What's the main theme that you're hearing?

10 MR CUFF: Yes, it's a – it is – it's quite topical at the moment, even though it is – they are all proposals.

MR COULTER: Yes.

15 MR CUFF: And, I suppose, there's a couple of themes that have come up. So, first of all, there's the changes to the offsets and the marginal tax rates, which, with my clients being mainly retirees, it's not as much of an impact, but what that effectively will mean is, people can earn – for the same amount of salary, they will pay a little bit less tax. But what is of much more interest to my clients is some of the proposed
20 changes to superannuation. So we've just talked about the downsizer contribution. If we just park that to the side, though, and think about contributions to superannuation at the moment. So after-tax contributions: currently, as it stands, once you reach age 65, in order to make a contribution to superannuation, you need to pass a work test, which is 40 hours of work within 30 consecutive days.

25

MR COULTER: Yes.

MR CUFF: There's a proposal to move that through to age 67. At the moment, as well, there's what's called a bring-forward rule, which will allow you to make three
30 years' worth of contributions in one lump sum. The proposal there is also for that to be bought through to age 67, from 1 July 2020. So that's quite of interest to my clients, for a couple of reasons: number 1, it allows, potentially, them to get more money into the tax-free superannuation environment; it also enables them to be able to balance their superannuation between members of a couple. But also what we do
35 a lot of it for is estate planning reasons. So being able to put extra money in that's tax-free for potential beneficiaries is – people have a little bit more time to try and maximise that strategy. So that's been quite a big talking point for us.

MR COULTER: Yes. Unbelievable. What – and people over 69 – is there
40 something – you know - - -

MR CUFF: There - - -

MR COULTER: - - - post-70, or - - -
45

MR CUFF: Well, there's – yes, there's also another proposed change, that – at the moment, if you're making a contribution for your spouse - - -

MR COULTER: Yes.

MR CUFF: - - - you can't do that if your – the receiving spouse is over age 69.

5 MR COULTER: Yes.

MR CUFF: The proposal, again, there is for that to be increased to age 74, from 1 July 2020.

10 MR COULTER: Okay, and that will have an impact. David, we might hold it there, if we could. I'm about to invite Shane back up. Ladies and gentlemen, could you join me in thanking David Cuff this morning.

MR CUFF: Thank you.

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MR COULTER: Thank you. Shane, could I invite you back up on stage. Ladies and question – ladies and gentlemen, what we're going to do now is – David – Shane, if you could take a seat there – we're going to take questions for – if you have questions for either Shane or David, you can make your way to either of the
20 microphones which are on your right and left – they're illuminated there – and we'll endeavour to answer them. We have around about – sort of – nine minutes before the session concludes. This morning's AGM starts at 11 am, which would be at the – down at the concert hall. If you've been viewing today's session online, you're also able to send questions through, and I will be able to read them. We have a question
25 on my right. Thank you.

DR JOHN: Yes. By the way, Shane, my name is Dr John. I don't drink; I've survived three wars; and I'm working full time in my nineties. That graph might need a bit of modification. Yesterday in the Sydney Morning Herald, there was an
30 illustration of what one should invest in. It was recommending the infrastructure, and lined up the companies that operate in that. With regard to the AMP, what industry is it in, and what other companies are in the same sort of industry, and what is its future?

35 DR OLIVER: Okay. Thanks for the question. I guess, the problem with what I do in statistics is, often you focus on averages, and you're at the tail end of that – you've done well relative to the average there; being a teetotaller, and surviving like you have, you've done very well. Just in terms of what industry is AMP – I think that's your question, you said you're interested in the investments - - -

40

DR JOHN: Yes. What is the industry that we're in, and what – who else is in the same industry, and what's our future?

45 DR OLIVER: Okay. Well, obviously, AMP has superannuation funds, and we invest those funds into a range of shares, and those shares are spread across a whole range of industries. So we have exposure to virtually everything you could think of:

banking, consumer stocks, financial stocks, mining, and so on. So – yes, we have a fairly broad-based exposure. There’s two key areas - - -

5 DR JOHN: To put it another way, what are you – what are the competitors, then?

DR OLIVER: The competitors to AMP on the investment side are organisations like AustralianSuper, Colonial First State - - -

10 DR JOHN: Yes, but – yes.

DR OLIVER: - - - other fund managers. But in – you mention infrastructure there. Two key components of the investment arm of AMP are a commercial property – sorry – a real estate business which invests in a range of properties across Australia and internationally, including, for example, the Macquarie Shopping Centre as a classic example of that, and there’s also another business there which invests heavily in infrastructure. So, for example, that - - -

15 DR JOHN: So what’s the short-term future and the long-term future?

20 MR COULTER: Of the AMP?

DR JOHN: No, no. Of the industry. I mean, I know Shane won’t tell me much about AMP, but about the sector that we’re in – what’s our future in the short term and long term?

25 DR OLIVER: The financial sector.

DR JOHN: Yes.

30 DR OLIVER: Well, I think it has a fairly bright future. It had a rough ride over the last year because of wrongdoing in various parts of the industry. Banking was a highlight from that, but I don’t see a major problem longer term. Finance will continue to be an integral part of the Australian economy. We’re also seeing an aging of the population. We’re seeing increasing complexity around the rules of investing, the rules around retirement, for example. All of those things mean

35 ongoing demand for investment advice, so I think that future remains bright.

MR COULTER: Thank you. Thank you, Shane. Yes, please.

40 MR D. ALLEN: Thank you. Good morning. Thank you for the interviews. Very good. My name is David. The speech we just heard reminds me of a speech I got when I joined the AMP in 1970, and we were told how much money we would earn over our lifetime, and, fantastically, we were going to earn \$300,000, so times have moved on a little bit since then. I’ve just finished reading a book by a bloke called

45 Jim Reichardt who had top connections in America, and he wanted to check his predictions with a world class mathematician, and this bloke said that the GFC was a seven sigma event. It should happen once every several billion years. I’m very

concerned about the status of mathematics in Australia. Your guys are excellent, I'm sure, but what can we do generally to raise the standard of mathematics in Australia and the rest of the world maybe? There's a great opportunity here, I'm sure.

5 DR OLIVER: Say it again. To raise the standard of – I missed - - -

MR COULTER: Mathematics.

DR OLIVER: Mathematics.

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MR ALLEN: Mathematics, yes.

DR OLIVER: I'm probably not the best one to answer that because I'm an economist, not a mathematician. Obviously, we do use a lot of maths in the work we do in terms of assessing those sorts of statistics that you referred to there. I would have thought that saying the GFC was a seven standard deviation event is probably a little extreme. I would have thought that if you looked back through history, these things do occur every so often, not every year, but every – I mean, if you – we had the great crash in the 1930s. We had the 1970s. We had the tech wreck and the GFC, so these things do happen every so often.

They're not the norm, but, you know, once every 10/15 years you should allow for something like that, but, of course, just relying on the statistics has its limitations because if you – it's like – there's an old saying that expansions in bull markets don't die of old age. They don't look at statistics and say, "This is the average. It should be dead. You're share market rally should be over because it's getting long in the tooth." They die of exhaustion, excess, overinvestment, overspeculation, excessive optimism, high inflation. Those sorts of things kill the cycle off. So, yes, I think it's important to look at statistics and use maths to do that, but you also have to recognise there is a limitation to what that will tell you and that history may repeat, but it doesn't rhyme always. Sorry. History doesn't repeat, but it does rhyme, so there's that rhyming through time, but often the gap between one major event and the next one can be a lot longer than you assume.

35 MR COULTER: Thank you, David. Thank you, Shane. Sir.

MR: A yes or no question from David, if I may. Regarding the superannuation contribution from sale of personal or private residence, I have recently had 15 per cent of my personal residence compulsorily acquired for roadworks. The proceeds from that, would that be eligible under this, or does it have to be the entire house?

MR CUFF: That is a question I haven't come across before. Congratulations.

45 MR: Yes.

MR CUFF: But it's something that we can look into for you if you were kind enough to leave your details with one of the staff there. It's something that we can try and get you an answer on because, to be honest, I haven't even thought about that. It's not something that has come up in the past. So happy to follow it up for you though.

MR: Okay. Thank you.

MR COULTER: We've got another few moments, so if you have got a question, please make your way – is there a chance that you can get to the - - -

MR: I'm isolated, so I will speak up. My question always to forecasters is how did you go last year, and I didn't get to the meeting in Melbourne, but, looking back on last year, how did you go?

MR COULTER: So the question, Shane, and for the folks online from the gentleman in the audience is how did we go last year, so I will put that to you, Shane, and I'm going to assume it's how did you go last year.

DR OLIVER: It depends which bit you're looking at in terms of economic growth.

MR: Your question – your presentation from last year, how did it relate to

DR OLIVER: In terms of the outcome.

MR: Yes.

DR OLIVER: In terms of the outcome. I said last year – it wasn't that much different to this year, but I think in terms of what I said back then the global economy would be okay. It turned out to be okay. I said that the Fed would raise interest rates four times through last year. That's the US Central Bank. They did. I probably underestimated the degree to which the worries about a trade war would impact share markets, and that particularly weighed on them later in the year. So share markets ended up weaker than expected, although I could claim, within a few months, they're back to where I expected, and now they're above where I expected.

And in terms of Australia, my view last year was that the Australian housing market was in for a downturn in Sydney and Melbourne, and therefore the Reserve Bank won't be raising interest rates any time soon. And, of course, that has been the case; now they're more likely to cut interest rates. And I also said the Australian dollar would fall to around 70 cents, and, out of interest, it did end last year around 70 cents. So yes, I do go back and look at what I've said.

MR COULTER: So, Shane, of course, these are all recorded, and they all sit on the Investor Centre, as well. So you can stress-test what we're saying here. But I can

confirm, because I was with Shane last year. Thank you, Shane. We've got a question here.

5 MR: Thank you. My question is about franking credits. I know a lot of people are getting very stressed about the policy change that may come up. And my question is, the franking credit was introduced just to avoid double taxation. And at that time when it was introduced, at that time it was not easy for government to track who are paid the franking credit, would they include in their tax returns or not. So they used to ask companies to pay tax then, and people – they can show the evidence
10 individually, and claim it back.

Now the question is, now the technology has changed. For example, for interest, we don't even have to report anywhere. Even accountants download from the portal. Why the government can't say that tax – the dividend payment is tax – it should be
15 all unfranked dividend to all the people, exactly like the interest payment, and those people who are to pay tax, depending on all other requirement, they should pay tax? And that will make it so much simpler for people. All the time the accountants are individually looking for each of the share, they would not have to spend that time, as well. All the unproductive time will be saved, and it will become very even.
20

And if the Labor Government says that those who are earning too much money on that – they can put additional legislation that, if your super fund is more than this, you will have to pay this much tax, and so on. So it can be easily solved. So why I'm raising is, the people who are at the influential level – why don't they solve this
25 problem at the fundamental level, and make life so much easier for people?

MR COULTER: Very simple question, Shane; I think you should be able to answer that.

30 DR OLIVER: Well, that's a good question. Governments have a habit of not making things simple. I guess, they may feel that if they handed the benefit out, that simply then foreign investors would get the benefit as well, perhaps. Yes, it – I agree, it's an issue, as to, why not make it simpler? I do go back to the original aim of that legislation, which was to avoid the double taxation of dividends, not to lead to
35 a situation where – double taxation of earnings – not to lead to a situation where they're not taxed at all. And so, therefore, I can sort of understand where the Labor Party is coming from on this policy.

But then, by the same token, you got to allow that that change, to make franking
40 credits available to all, whether you're a taxpayer or not – all Australian tax – all Australian citizens, that is – was made nearly 20 years ago now, and a lot of people have planned their retirement on the basis that they would get those franking credits. So I can understand why many Australians are not particularly happy at this change. And in that sense, it does seem a little bit unfair to be doing that now, at this stage in
45 their life. You know, when you're a self-funded retiree, to suddenly find you're not going to be getting your \$7000, or \$2000, or \$5000, that can be a bit of a shock. And often times, those people are schoolteachers, or retired schoolteachers; they're not

necessarily retired rich people. So I think there is a bit of an issue around this, and maybe it could have been grandfathered – the change could have been grandfathered.

5 MR COULTER: I think we might hold it there. The AGM will be starting at 11 am. Many thanks, ladies and gentlemen, for your time and attention this morning. That concludes our presentation. Morning tea is going to be served in the foyer. The AGM starts at 11 am. Can you just join me in thanking Dr Shane Oliver and David Cuff. Thank you, and good morning.

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