



Retiring Retirement

Does thirty years of leisure appeal to you? A recent survey in America showed that baby boomers aren't planning to retire like their parents did.



If you were born between 1946 and 1960 you are a baby boomer, a member of that group born in the post war period. Many boomers saw their parents (usually Dad), finish work on Friday and be 'retired' on Monday. Dad aimed to do some gardening and go fishing, play golf and travel. It was often a shock for Mum to have Dad at home all day. It was sometimes a shock for Dad to be without the companionship of work mates.

They probably planned on retirement being ten years at the most. But many have found themselves struggling financially when their money ran out because they 'lived too long'. After all, the age pension is only about \$20,000 a year for a couple.

What will 'retirement' be like for you? The Merrill Lynch survey of 3,500 baby boomers revealed that only 18% planned to retire like their parents and never work again. The responses for the remaining 82% are shown below.

It looks like they have recognised the realities of longer life spans, the capital needed to support themselves and the potential value of their job skills. Lack of financial

preparedness may force some to keep working but others may relish the challenges of work.

Work full time	6%
Work part time	16%
Cycle between paid work and leisure	40%
Start their own business	13%
Don't know	7%

The 'age wave'. Baby boomers have dominated society for the last 55 years. As they grew older, whatever they demanded or needed has happened because of the sheer weight of numbers. They have been instrumental in transforming music, eating out, sex roles, workplace practices, health, education and technology.

The earliest baby boomers are now aged 59 and are considering 'retirement'. Many are fitter and healthier than their parents were at the same age and it seems the prospect of 30+ years of leisure is not affordable or attractive. We can expect them to continue to change the world they are living in. Watch for a revolution in the personal, social and financial lives of the 'new grey' generation.



The Importance of Regularly Reviewing Your Investment Portfolio

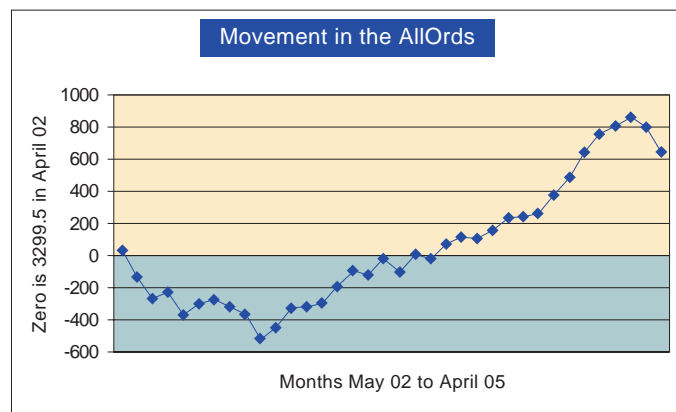
The importance of regularly reviewing your investment portfolio and your personal circumstances to ensure that your investments remain appropriate to your needs can not be overstated. From our experience investment portfolios need to be adjusted over time, not only in response to changing investment markets and economies, but also in response to changing personal circumstances.

If you are currently not reviewing your financial affairs on a regular basis we encourage you to contact your Avenue adviser to discuss their review services.

A lesson in three years

Remember the key lessons of share investing?
The last three years have demonstrated them perfectly.

The graph shows the All Ordinaries share index over the period May 2002 to April 2005. The index represents the share price movements of the top 500 (approx) companies on the Australian share market. *It does not include dividend income or the value of 'franking credits'.* In percentage terms, the AllOrds fell 18% to February 2003, rose 49% to March 2005 before dropping back 6%.




First lesson. Share markets move in cycles. They rise and fall but over time can be expected to rise. At the end of April 2002, the index was 3299.5. It fell in a series of steps to a low of 2778 and rose in a series of steps before recording eleven consecutive months of growth to be 4100 at March 2005. It has fallen to 3943 by the end of April 2005.

Second lesson. Timing the market is difficult. In theory, an investor should buy at the bottom of the market and sell at the top. In hindsight, this is easy but it is very difficult to pick the turning points. A better strategy is to stay invested to benefit from the upward surges.

Third lesson. You get more shares if you buy when prices are low. Lesson two states it is difficult to know the bottom so a better approach may be to buy at regular intervals.

Fourth lesson. The price of individual shares will move differently to the index. Skilled investors can outperform

the index by smart stock picking (and by holding a diversified portfolio).

Final lesson. The share market can be a dangerous place for short term speculation. Patient investors can reap significant rewards over time. 



THE LIGHTER SIDE

“ Skiing combines outdoor fun with knocking down trees with your face. ”

Dave Barry

“ Money can't buy you happiness, but it does bring you a more pleasant form of misery. ”

Spike Milligan

“ Anyone can win, unless there happens to be a second entry. ”

George Ade

“ Never put off until tomorrow what can be put off until the day after tomorrow just as well. ”

Mark Twain

“ Give me my golf clubs, fresh air and a beautiful partner, and you can keep my golf clubs and the fresh air. ”

Jack Benny

Incentives to keep working

The Government is tweaking the rules to provide greater flexibility for pre-retirees as well as incentives to keep working.

Leaving your super to grow. Superannuation is for retirement. Super rules require you to cash it in or start an income stream with it when you get to age 65 *unless you are still working*. A new simpler work test means you must have done 240 hours of paid work in the last financial year.

Example. Nancy is aged 65 and stopped work at Christmas 2004. She had worked 240 hours in the financial year ending June 2005. She will not be forced to use her super until June 2006 giving her time to plan her finances and leave it to grow in a concessionally taxed environment. Those who satisfy the new work test can keep their funds in super up until age 75.

Using your super early. Some pre-retirees want to 'slow down' after age 55 and work fewer hours a week. However, the super rules will not allow them to access their super until they have stopped all work. From 1 July 2005, they will be able to access their super as a 'non commutable' income stream. This means they can draw an income but not cash it in as a lump sum.


Example. Harry is aged 56 and has the opportunity to work from home in a consulting role but his income will be lower than he has been used to. He can start an allocated pension with some (or all) of his super to supplement his consulting income. This pension will not be able to be cashed in but when he does retire fully it will have the same flexibility as other allocated pensions.

Tax incentives to keep working. If you are in paid employment after age 55, you may qualify for a tax offset of



up to \$500. Called the Mature Age Worker Tax Offset, it will apply automatically for workers whose 'net income from working' is less than \$58,000.

Example. Jenny is aged 56 and manages a child care centre and expects to earn \$52,000 this year. Because her income from working is over \$48,000 she will not qualify for the full offset but her tax will be reduced by \$300.

Talk to your adviser if you want to know more about these initiatives. 

Good news budget



The May budget brought more than just tax cuts with lower superannuation taxes and the ability to split super contributions between spouses.

Surcharge dead. The much maligned surcharge tax on higher income earners has been scrapped. It taxed super contributions up to 12.5% on top of the usual 15% tax. This financial year (2004-05) will be the last year super funds must deduct the surcharge from your account.

Example. Glenda earns \$125,000 and her employer pays Super Guarantee contributions and she salary sacrifices \$10,000 a year. If her super fund earns 8% pa, all things being equal she will have about \$32,000 extra in her account after ten years.

Splitting super contributions. Another election promise is about to emerge. From 1 July 2006, couples will be able to split personal and employer contributions with their spouse. This will be of particular benefit for couples where one spouse has accumulated super over the Reasonable Benefit Limit because they will be able to re-direct contributions to their spouse.

Your adviser will be able to explain these and other Budget measures to you. 

Land of whisky and golf



**Fair fa' your honest, sonsie face,
Great chieftain o the puddin'-race!
Aboon them a' ye tak your place,
Painch, tripe, or thairm:
Weel are ye wordy of a grace
As lang's my arm.**

This is the opening verse of Robbie Burns's address to the haggis – in translation it means something like "oh wonderful haggis, it is worth singing your praises before we eat you". In true Scottish style, the haggis is toasted with a glass of whisky before it is cut up and served with neeps (turnips) and tatties (potatoes).

Whilst whisky is important for a haggis eating ceremony, it is also important to golfers. According to the Scottish Whisky Association, golfers are renowned for their whisky consumption, maybe to ward off the cold, to forget their poor shots or to give them courage to hit out of the bunkers.

Whisky was brought to Scotland in the seventh century by Irish monks in their quest to save the heathens and it has been adopted as the national drink supplied by over 100 distilleries. Malt whisky

is the 'king' with each distillery producing its own distinctive flavour depending on the water, barley and casks in which it is aged. Blended whisky is a mix of up to 40 different whiskies combined in a secret recipe to give a consistent flavour.

There are so many golf courses in Scotland it is easy to combine a game with a visit to a distillery (or two). For instance, play Royal Aberdeen Balgownie course established in 1780 and sample the wares of the Royal Lochnagar Distillery dating from 1826.

Take an island 'hopscotch' trip by boat off the west coast from Glasgow. The tiny island of Islay has seven distilleries - virtually the only industry apart from the outstanding Machrie Golf Club. The Mull of Kintyre has only one golf course at Machrihanish but it is no ordinary links layout and it's right next door to the Springbank distillery.

And whilst you travel around the country enjoy beautiful scenery, a fascinating history dating back thousands of years and friendly people – who don't use the language quite like Robbie Burns did in the eighteenth century.



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