

Merry Christmas & Happy New Year

Where did 2011 go?

It feels like only last week I was sitting down to wish you all a Merry Christmas in 2011.

Between European crises, debate about Carbon and Mining tax, and helping clients to achieve their goals in trying times we have forgotten about the quickly approaching end to 2011.

So, the staff and I at Nest Egg Solutions would like to wish all of our clients and their families a very Merry Christmas and Happy New year, and I know my letter to Santa this year will ask for more positive indicators from the world economy in 2012.

Tony Pearson



Live long and prosper

Early planning can help you enjoy the benefits of increased longevity and live the life you want in retirement

Australians are living longer and enjoying more productive retirements than ever before.

Australian men can expect to live until the age of 79, while the average Australian woman lives until 84.* This puts Australia up there with the most advanced societies in the world – our life expectancy is the fourth highest for men and third highest for women.†

Getting on top of your superannuation early and formulating a long-term savings plan will see you best placed to prosper in your retirement.

Changing face of retirement...

By 2041, one in five Australians will be over 65 years of age and 7 per cent of the population will be over 80, representing the fastest growing sector of the population.‡

As we live longer, many of us are opting to retire earlier than ever. In 2007, the average age of retirement was 47 for women and 58 for men, which means we may end up spending as long retired as we did in the workforce.§

And the nature of retirement is changing. It's now a reward for hard work – a chance to develop new hobbies or travel the world. But do you have enough saved to fund your retirement dreams?

...and the workplace

Living longer is set to change the way we work. We are more likely to move between

jobs and opt for multiple career paths during our working lives.

Older workers offer years of experience, valuable skills, and tend to be highly motivated. Companies will need to develop more part-time and contractual positions that suit older people.

An ageing population will also spell public policy challenges. By 2047 there are forecast to be only about 2.4 working-age Australians for each retiree aged 65 and over.¶

The government will need to remove any benefit or pension disincentives that act as roadblocks to participation in the workforce, as well as reduce pressure on the public purse by lifting the pension age.

The goal – a comfortable and fulfilling retirement

As we retire earlier and live longer, we will need a bigger retirement nest egg to keep pace with inflation and see us through. In order to achieve a comfortable retirement a couple needs an estimated \$53,565 a year.**

The days of relying on the age pension are long gone and we are increasingly expected to fund our own retirements.

Planning is key. The earlier you start saving, the more likely you are to enjoy a comfortable and fulfilling retirement.

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* http://www.aihw.gov.au/mortality/life_expectancy/trends.cfm

† http://www.aihw.gov.au/mortality/life_expectancy/compares.cfm

‡ <http://www.wesleymission.org.au/publications/ageing/introduction.htm#Australian>

§ <http://www.abs.gov.au/AUSSTATS/abs@.nsw/Lookup/4102.0Main+Features50March%202009>

¶ <http://www.aph.gov.au/library/pubs/BriefingBook42p/17SocialPolicy-ImmigrationandPopulationAging/Population.htm>

** <http://www.superannuation.asn.au/mr100628/default.aspx>

Women and money

Against a backdrop of global debt woes and financial market uncertainty, Australian women are more worried than men about their financial wellbeing and less optimistic about the economic outlook.

According to recent surveys by Million Dollar Woman, only 30 per cent of working women are confident that Australia will avoid an economic downturn, compared with 47 per cent of men¹. What's more, nearly twice as many women (18 per cent) are pessimistic about the economy's future than men (10 per cent)².

It is not clear from the research why women are more concerned about their finances than men, but there are a number of possible reasons.

In most families, women have primary responsibility for household shopping so they may be more sensitive to rises in the cost of living.

Debt could also be an issue. Research by Million Dollar Woman found that women owe \$2.60 for every \$1 they earn, compared to \$2.10 for men³. Debt can be good when it is used to build wealth, but it causes problems when it is used for everyday spending and not managed wisely. The less income you

have, the more difficult it is to support a significant amount of debt.

Not only do women earn less than men on average, they are more likely to take time out of the workforce to raise children, leaving them with less money saved for retirement. The average superannuation balance in 2009/10 was just \$40,475 for women compared with \$71,654 for men⁴.

Knowledge is power

There is another possible explanation for women's lack of optimism; perhaps they are just more realistic than men. The most famous study of gender differences in investing, by academics at the University of California, found that male investors tend to be overconfident and this leads them to trade their share investments more often than women and take greater risks⁵. But men were no more skilful or successful than women. Could it be that women are more willing to own up to the fact that they do not know everything?

While women may have good reasons to be less optimistic than men, it does not mean they are powerless to act.

The best way for women – and men – to take control of their financial destiny is to increase their knowledge.



Your financial adviser can help keep your finances on track but the more you learn about investment and sound money management the brighter your future will be.

- 1 Million Dollar Woman, Australia's financial outlook 'worries' women, 19 August, 2011
- 2 Allianz Future Optimism Index, 23 August, 2011
- 3 Million Dollar Woman, ibid.
- 4 ASFA, based on ABS Survey of Income and Housing 2009/10 (released 19 September 11)
- 5 Brad Barber and Terrance Odean, 'Boys will be boys: Gender, overconfidence and Common Stock Investment', Quarterly Journal of Economics, February 2001.

Insurance for the self employed

Most self-employed people accept the need to protect their income in the event of sickness or injury with income protection insurance. However, an equally important type of risk insurance is available, but is widely undersold and misunderstood – business expenses insurance.

What is business expenses insurance?

Business expenses insurance provides a monthly benefit to cover the ongoing fixed expenses when a business owner can't work due to sickness or injury. Like income protection insurance, the premiums are tax deductible.

Who is eligible?

Business expenses insurance is designed to assist self-employed individuals, including sole traders and business partnerships (typically this can include up to 5 partners) who generate income through personal exertion.

What is covered?

Eligible expenses for this type of insurance must be ongoing, and may include items such as:

- office rent
- interest payments on a business loan
- salaries of non-income generating staff
- leasing of equipment such as cars, telephones

- insurance and legal fees, and
- property rates and taxes.

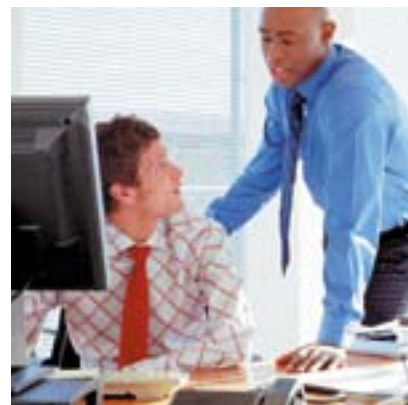
How much cover would be required?

An important factor to consider when calculating the required monthly benefit is to determine what would happen to the revenue of the business if the person to be insured was unable to work for a period of time.

A sole trader for example, would need to insure 100 per cent of their fixed ongoing expenses. However, an individual working in a partnership may only need to insure 50 per cent of expenses (or the amount they are responsible for).

How is a business expenses insurance claim paid?

When submitting a claim for business expenses, proof of the fixed expenses will be required. A copy of an accountant's report, profit and loss statements and BAS statements are commonly submitted for



consideration. The benefit period is generally 12 months but some companies allow an additional 6 to 12 months of benefit payments if the expenses at claim time are less than the actual insured monthly benefit.

Is business expenses a 'set and forget' policy?

Business expenses policies should be reviewed on a regular basis – yearly or whenever a change occurs in a business. Because business expenses are likely to fluctuate on an annual basis it's important to review your cover to ensure the benefit amount is right for you.