



Centrelink changes from the 20th September  
[Are you eligible?](#)

You may now receive more of the Age Pension  
You may now be eligible for the Age Pension



**Welcome Jo-anne Hughes**

Jo-anne joined the Argentis team in early July as our Client Services Officer.

[About Jo-anne](#)

**Wednesday 5th December**

The Argentis Christmas Seminar.

5:45pm until 7:30pm. **Please note this in your diary.**



**Property and Tax**

The Six Year Rule  
Vacant block of land  
Changing main residence  
Inheriting a principal residence

**Salary Packaging - Electricity**

Employees of various Qld Government entities are entitled to salary package electricity up to a limit of \$1,333 p.a



US Sub-Prime Mortgage Storm

**What does it mean for Australia?**



**Super: A Never-Ending Story**

Transition To Retirement (TTR) pensions are more attractive in the 'new super world'



**Tax Time Reporting**

Various tax statements help you prepare your tax return for the 2006/2007 financial year



The [Australian](#) and [Global](#) Economic Outlook. The dramatic cut in interest rates by the US Federal Open Market Committee recently provided quick pain relief to troubled financial markets

**Booming House Prices**

Australia has experienced three property bull markets over the last 35 years.

Buying a house ought to be the road to wealth ... or so they say!



## Centrelink changes from the 20th September 2007

- The pension taper rate was halved from \$3.00 to \$1.50 for every \$1000 of assets above the assets test free areas. This means the maximum amount of assets you can have and still get a pension has increased.
- If you are currently on a reduced rate pension because of the value of your assets you will receive an automatic payment increase.
- Many people who were previously ineligible for a payment because of the value of their assets may now be eligible for a pension. This will include some Commonwealth Seniors Health Card holders.
- The 50 per cent assets test exemption has been removed for complying income streams purchased from 20 September 2007. The assets test treatment of income streams purchased before 20 September 2007 has not changed.

The pension assets test changed on 20 September 2007.

Under the new rules, the value of assets you can have and still get a payment has increased. This means you can have a higher amount of assets than before and still be eligible for a Centrelink payment. You might be eligible if the value of your assets are below the following amounts.

**Note:** The value of your primary residence is not included in the assets test limits below

Single	Homeowner	\$529,250 (up from \$343,750)
	Non-homeowner	\$650,250 (up from \$464,750)
Couple (combined)	Homeowner	\$839,500 (up from \$531,000)
	Non-Homeowner	\$960,500 (up from \$652,000)

To read the complete articles in this newsletter, go to [www.argentis.com.au](http://www.argentis.com.au) or contact Argentis.

## Booming House Prices

**According to the 2007 Demographia International Housing Affordability Survey<sup>1</sup> there is a “pervasive housing affordability crisis in Australia”.**

The survey compared 159 major property markets in Australia, Canada, Ireland, New Zealand, the United Kingdom and the United States. Comparing median house prices and median household incomes it found, overall, the Australian residential property market was the most unaffordable.

Listing the individual Top 25 most unaffordable property markets, Australian cities appeared four times. Sydney retained its 2006 ranking at number 7, Perth enters the list for the first time at number 11, Hobart is surprise entrant at number 20, Melbourne is ranked number 23 and **Brisbane is ranked at number 30**.

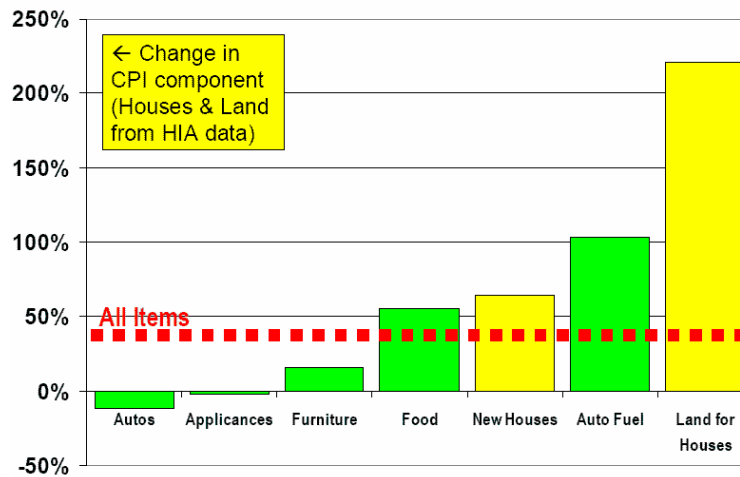
On the list of the Top 40 Most Affordable Housing Markets, Australia failed to get a mention.

On average, the survey found that Australian households would require 6.6 times their annual income to purchase a median-priced house. This was more than double the ‘affordable’ ratio of three times average household income. Interestingly, New Zealand fared little better than Australia, with an income to price ratio of six times. By contrast, Canada was deemed the survey’s most affordable residential property market with a ratio of three times average annual household income required to purchase a median-priced house.

Evidence shows that virtually all of the increase in housing prices has been **due to a shortage of land**. Land prices have **skyrocketed**, while the price of building houses has risen only modestly in real terms. From 1993 to 2006, 88 percent of the combined cost of new houses and land has been attributable to inflation of land prices and only 12 percent to inflation in house building costs.

## Australia: Cost Inflation 1993-2006

NEW HOUSES, LAND & SELECTED CPI ITEMS



<sup>1</sup> Demographia is Affiliated with The Public Purpose, Twice A Top National Journal Internet Site. [www.demographia.com](http://www.demographia.com) The full report is available at [www.demographia.com/dhi-ix2005q3.pdf](http://www.demographia.com/dhi-ix2005q3.pdf)

### The US Sub-Prime Mortgage Storm

#### **What is Sub-Prime?**

Sub-prime refers to the weakest credit quality segment of the US mortgage market, which consists of three segments: Prime; Alternative A (Alt-A) and Sub-Prime. The sub-prime segment is made up of loans made to debtors with impaired credit histories.

Heavy competition in the US mortgage market over recent years stoked by a run-up in residential property prices and cheap interest rates fostered increased aggressiveness from mortgage businesses. Loosened credit standards fed the sub-prime wave; willing buyers of this debt provided the necessary demand for this segment.

#### **What to expect going forward?**

Continued uncertainty in both debt and equity markets should be expected. It is unlikely that the Sub-prime woes have worked themselves out of the system. As previously mentioned, there is still the 2006 vintage to mature. The danger is the spreading of fear and panic – contagion risk. The news on the economic front across the globe still remains broadly positive, so in theory continued support for asset values remains in place. However, this sort of information matters little when investors and markets become ‘spooked’. Indiscriminate sell-offs and portfolio risk reduction could decimate asset values and lead to a self-fulfilling prophecy. Assets that are more sensitive to bad news like high yield debt assets are at most risk.

It is difficult to foresee a large fall in home prices but if property prices continue to go up at the rate of recent times, only a small percentage of people will be able to afford a house.

The ABC Four Corners program ran a story on the 17th September 2007 called “Mortgage Meltdown” and is worth viewing.

### Super: A Never-Ending Story

One of the big challenges we at **Argentis** face at the moment is to explain and advise our clients on the massive changes to superannuation, particularly for those of you who are older than 45.

The government is restricting the level of contributions into superannuation and have introduced a ‘Non-Concessional Contributions’ limit or cap (NCC cap) and a ‘Concessional Contributions’ limit or cap (CC cap). The NCC cap basically applies to contributions that you do not claim a tax deduction for and the CC cap basically applies to contributions that you do claim a tax deduction for.

The NCC cap is \$150,000 per person for the 2007/2008 income year. This cap is set each income year at three times the CC cap which is indexed annually to AWOTE movements in increments of \$5,000 ie.  $3 \times \$50,000 = \$150,000$ .

An effective 3-year NCC cap allows you to 'bring forward' 2 years worth of non-concessional contributions without exceeding the cap. This bring forward is automatically triggered when you make contributions in excess of the NCC cap in a financial year in which you were under age 65 at any time (and a bring forward had not already commenced in the previous two financial years).

To simplify the operations of the NCC cap, people aged 63 and 64 can take advantage of the bring forward without the need to satisfy a work test that would ordinarily apply upon turning age 65.

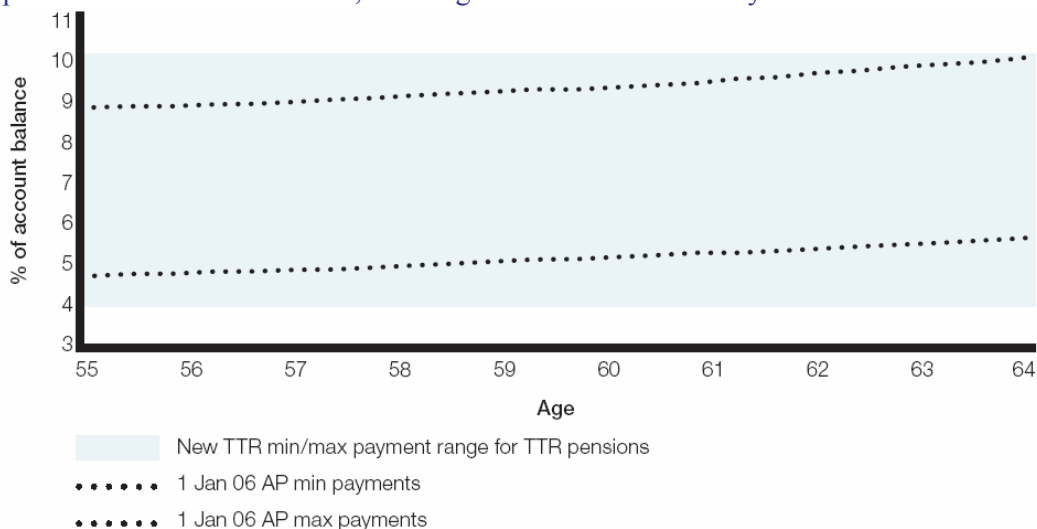
The CC cap is \$50,000 per person for the 2007/2008 income year. This cap is indexed annually to AWOTE movements in increments of \$5,000. A transitional CC cap of \$100,000 applies from 2007/08 to 2011/12 for people aged 50 or over at any time in an income year during the transitional period. This transitional cap is not indexed.

### New payment factors

From 1 July 2007 all new account-based pensions (including new Transition To Retirement pensions) will be subject to new minimum payment factors. Superannuation fund trustees may elect to apply the new minimum payment factors to Allocated Pensions (including TTR APs) already running prior to 1 July 2007.

The new factors mean those aged 55 -64 will be required to draw at least 4% of their account balance per annum. With the removal of the maximum withdrawal limitation for non-TTR allocated and account-based pensions, TTR pensions commenced on or after 1 July 2007 (and those commenced prior to 1 July 2007 adopting the new minimum payment factors) will be subject to a maximum withdrawal limit of 10% p.a.

This chart compares the old and new factors, showing the increased flexibility of the new factors.



To discuss your personal circumstances, speak with an Argentis financial adviser today.

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