

down. Cards include the Pensioner Concession Card, Health Care Card, Commonwealth Seniors Health Card and the state Seniors Card. Benefits include cheap pharmaceuticals, subsidised medical expenses, cost reductions in postal services, ambulances, council rates and government cash bonuses.

Centrelink publishes a booklet, *A Guide to Centrelink Concession Cards*. For eligible people these cards are worth thousands of dollars each year.

Your own DIY super fund?

The tax office has indicated a minimum of around \$200,000 in assets is necessary to make it worth setting up a self-managed super fund (SMSF), because of the costs involved.

Naturally, if you are going to manage it yourself, I'd also suggest an interest in superannuation law, investment strategy and tactics before you embark on managing your life savings, or find an adviser to assist you.

Consider the upfront and annual costs. I'd suggest around \$1500 to \$2500 a year for basic administration (such as accounts, tax returns and audit) plus any other costs for financial or investment advice.

CASE STUDY

Reverse mortgage?

With \$500,000, a 65-year-old, home-owning couple will be eligible for around \$580 combined a fortnight of age part-pension, or \$15,080 a year.

When added to an account-based pension (an income stream created from their lump-sum superannuation), they could comfortably draw between 4% and 7% a year which could mean an additional \$20,000 to \$35,000 a year for a total of \$35,080 to \$50,080, plus all the benefit cards.

This standard of living is considered quite comfortable; most of my clients require around \$1000 a week.

I've never been a fan of reverse mortgages; retirees don't need complex contracts when most want to simplify their lives. However, there are circumstances where a reverse mortgage is ideal, particularly where a retiree does not want to move and has a substantial part of their wealth tied up in the home. But ensure you thoroughly read all contracts.

How to recoup your losses

Sean McGowan, certified financial planner and director of WLM Financial Services

UNFORTUNATELY, WHEN AN investment falls in value by 30% you actually require a 43% return on the reduced investment to get back to break-even, without taking into account tax or fees. For example, if a \$100,000 investment reduced in value by 30%, it would be worth \$70,000. A 30% return on \$70,000 would be \$21,000, increasing the value back to only \$91,000.

Having more money invested when investment markets do start to recover can improve your chances of recouping your losses; however being overexposed can be potentially devastating. Some tips to increase your investment exposure include:

Salary sacrifice: If you have spare cash flow, salary sacrifice is an effective way of rebuilding your superannuation while reducing the amount of tax you pay. The government has recently reduced the amount that you can contribute, so you may need to consider other strategies also.

Borrowing to invest (gearing): If appropriate, using borrowed money to invest can increase your exposure and provide you with a tax deduction for the interest costs. This can also be incorporated with a "debt recycling" strategy to allow you to repay your home loan faster.

Government co-contribution: If you are eligible for a co-contribution, the government will co-contribute up to \$1000 into your superannuation.

Spouse superannuation contributions: Making an after-tax contribution from an eligible spouse can increase their superannuation balance and provide you with a tax rebate of up to \$540.

Investing for capital growth: Generally, when you make a capital gain on an invest-

ment in your personal name that you have held for more than 12 months, only 50% of the gain is taxable. This will increase your after-tax gain, which can provide additional funds to reinvest.

Investing for yield: Dividends can provide additional income or funds to reinvest. Tax benefits associated with franked dividends can also provide additional return via tax refunds and tax savings.

Participating in bonus share issues: A number of companies are offering additional shares to existing investors at discounted prices, allowing you to increase your exposure at a discounted price.

Selling an investment just because it has fallen in value is often not the wisest move. Maintaining a longer-term focus is crucial when investing in growth assets. However, a question to ask when reviewing the appropriateness of your investments is: "If I had new money to invest, would I make this investment?" If the answer is "No", then further investigation is often warranted.

Knowing when to cut your losses on an investment can be a difficult question to answer. Protecting what you have left is just as important as trying to recover what you have lost. Just as importantly, taking excessive risk in an attempt to recover lost money could be potentially devastating.

When reviewing the appropriateness of your investments, you should consider things such as:

Your risk profile and investment strategy: Is this investment appropriate given your attitude towards investment risk and what you are trying to achieve? Do you require income generation, capital growth or both? Are you over or underexposed to any particular investment or asset class?