



JANUARY 2014

Happy New Year!

Happy new year to all! We have some solid reading in this issue. Jon Kalkman discusses tax strategies for us baby-boomers; Graham Wright has written a letter to members about AIA; and Alan Hull has a piece about inflation. We have a thought-provoking report of an SMSF legal case; a property article and an important article about bonds and rising interest rates. There should be something for everyone.

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SAPTO – Or do you really need a SMSF?

Jon Kalkman, AIA Member

It is well known that any money withdrawn from Superannuation after age 60 is tax free. What is less well known is that a couple over the age of 65 can earn \$59,848 outside super and also pay no tax. This is so because of the operation of two tax offsets which together eliminate all the tax payable. It is important to note that a tax offset reduces the tax payable, whereas a tax deduction reduces the income on which tax is paid.

There is no tax to pay on incomes up to \$18,200. The **Low Income Tax Offset (LITO)** is worth \$445 and will

Upcoming Events

2014 AIA Annual Investors Conference

Outcome Oriented Investment Strategies for the individual investor

Sunday 3rd to Wednesday 6th August
At the Marriott Resort, Gold Coast

This year's conference will be focused on investment **outcomes** for the individual investor.

[More details soon](#)

Canberra Discussion Group

Southern Cross Club, Woden
3rd February 2014 - 7.30pm

Perth Information Meeting

Wembley Downs Tennis Club
4th February 2014 7.00pm

Adelaide Information Evening

Outlook for the Australian Sharemarket
The German Club, 4th February 2014
7.00pm

eliminate the tax on incomes up to \$20,542 which is the effective tax-free threshold for low-income earners. The LITO remains at \$445 for incomes up to \$37,000 and is progressively reduced for incomes above that level at the rate of 1.5 cents per dollar of income until there is no LITO on incomes above \$66,667.

In addition to the LITO, people who have reached pension age are entitled to another tax offset called the **Senior Australians and Pensioners Tax Offset (SAPTO)**. The important element here is not that the person receives the age pension but that they have reached pension age.

SAPTO is an additional tax offset that works in tandem with LITO and there is one amount for a single person and another for a couple. For a single person the SAPTO is \$2230. This means that a single person over age 65 will have a combined tax offset of \$2695 and so they can earn \$32,279 before they pay any tax as the LITO and the SAPTO together offset the tax payable.

The SAPTO for each member of a couple is \$1602, so their LITO and SAPTO combined tax offset is \$2047. That means they each earn \$28,974 or \$57,948 together as a couple and pay no tax. There is also no Medicare levy payable for taxpayers eligible for SAPTO

Just as the LITO is tapered as income exceeds the threshold, the same applies with SAPTO but the taper is much more severe. The SAPTO is reduced by 12.5cents per dollar of income so that no SAPTO is available when the income reaches \$50,119 for a single person and \$83,580 for a couple. Retirees with incomes below these levels will pay some tax but not as much as those taxpayers who are not eligible for SAPTO

Implications

Thanks to the LITO and SAPTO our hypothetical couple - with a taxable income below \$57,984 would pay no tax. In that case their tax position is the same if their income was earned inside super or outside super. If we assume that these assets were generating an income yield of 6% it would mean that this couple could hold \$965,800 in assets outside super and have the same tax-free income as if those assets were held inside super.

For some couples over the age of 65 this may provide an incentive to close their Self-Managed Super Funds (SMSFs) with all its restrictions and regulations and move those assets so that they are held in their own name. They would have to go back to completing a tax

return, particularly if they wanted a refund of their imputation credits.

It also means that a couple over the age of 65 could hold substantial assets outside super with no tax to pay *in addition* to any tax-free income they earned inside their super fund.

Risks

If the assets are held in their own name and the income they produced grew in value over time, then some tax may become payable if the income exceeds the tax-free threshold for a 65 year old couple at that time.

Capital gains are taxable income in the year the asset is sold so any capital gains on assets sold in their own name may trigger a tax liability whereas that would not be the case in a super fund paying a pension

If one member of a couple survives the other, their effective tax-free threshold is reduced from the couple rate of \$57,984 to the single rate of \$32,279. If the surviving spouse continues to hold all the assets in their own name, the income produced could trigger a tax problem which may not arise inside a super fund

Holding assets in their own name requires different estate planning and asset protection arrangements than holding their assets in a super fund.

SAPTO is only available to people over age 65 but the contribution caps make it difficult to transfer money into a super fund after the age of 65 unless the work test is satisfied. Therefore, if assets are transferred out of a super fund to benefit from SAPTO it is almost impossible to them put back into super. This decision is almost irreversible.

SMSFs are considered by many to be the investment platform of choice because of the tax concessions they offer but they are not cheap particularly for retirees with modest investment balances. SAPTO may allow people with modest investment balances the opportunity to achieve tax-free income in retirement without the bother and expense of a SMSF.

This article is not designed to provide financial or tax advice as I am not qualified to offer either. Clearly any decision to close down a SMSF has enormous implications for future tax liabilities and should not be taken without good advice from a qualified accountant and/or financial planner.

Benefit more from your AIA membership and add more to your investing success

Graham Wright, AIA Member

Have you met “John”? He may be one of your local AIA members. He's had a lot of experience with Technical Analysis. “Betty” is experienced with LICs and “Joan” likes to talk about her favourite investments, ETFs. “Stan” has been running his SMSF for 10 years now and seems to know all you need to know at a practical level about the paperwork and general administration of SMSFs. Me, I'm just a talker. I like to talk, discuss anything. I try to exchange my knowledge and experiences for the knowledge and experiences that others wish to offer to me. I learn from the experiences of others while I hope others may learn from my experiences.

You can find all these people and many more, at your local AIA Discussion Groups and Presentation sessions. They probably are not up front addressing the group, but they are certainly sitting beside you and standing in the room with you before, during and after any formal activities.

The strange thing is that they are there for the same reason you are there. Many probably feel the same as you, a stranger in a strange world without a friend in the room. Then you look around at the little groups talking. They've been there before and discovered a friend. That's what you need to do. Discover a friend.

Most of us do not like to move into an established group without an invitation and it is hard to walk up to a stranger and start a conversation. Perhaps the greatest obstacle is our self-confidence. We look at the dress of others in the room. Those suits look to be wealthier than me. Those others sitting by themselves seem lost and wondering what to do. That group talking animatedly over there looks like they are probably much more experienced than I am. After all, I came here in the hope of learning something.

How can AIA help members to participate more fully for their betterment? I am sure that the different Discussion Groups have some activities to encourage members to participate. I would like to propose some ways that Group Co-ordinators and the members themselves can break down some of the barriers.

First, we need to feel welcome at all events. A Host or Hostess to meet and greet all arrivals to make them

welcome, to introduce members to each other and to stimulate discussions would be a starting point.

A coffee stand is a good place to bring people together. It is easy to start a conversation with the person beside you as you wait to pour your coffee or drink it. Conversations started here can continue elsewhere.

The Co-ordinator could put a few conversation starters up on a whiteboard or projection screen. These suggested topics make conversation starting much easier.

Co-ordinators should check the layout of the seating, tables etc., so that all members can feel included and can easily participate.

Another useful method could be to invite each member to speak to the Group for a few short sentences or longer on any topic they like. This will encourage confidence to talk. Even just saying “I agree with him” means participation occurs and can grow.

AIA co-ordinated events are a good place to bring strangers into friendships, but brief monthly meetings are often not enough. Investing, education and confidence-building do not happen in monthly bursts. They are continuous and need attention much more regularly. Friends with mutual interests can make contacts outside AIA events. They can meet regularly for coffee or conduct telephone/email contacts to maintain their interests and support each other. We do not need to live in each other's pockets, we do not need to expose our intimate lives or even the intimate details of our portfolios. We simply need to support ourselves and our friends to do what we love, investing.

Is “Meeting and Greeting” the major role of AIA? I think it is. The real strength of AIA is the ability to bring members together, foster conversation between members and help them to develop relationships that can exist outside AIA while being strengthened by regular support through AIA. In return, friendships will develop for individual members. Their knowledge, understanding and self-confidence can grow to make each individual a better person.

Many members have joined AIA because they have a distrust of the people working in the investment industry, brokers and planners in particular. Without the professional support these industry people offer, we individuals are in need of alternative supports, people we can talk to, discuss our ideas, exchange viewpoints and explore new opportunities. AIA membership and it's

activities facilitate this. It brings together like-minded people all seeking the same thing: the confidence that comes from interactions with like-minded people.

Make 2014 the year that you will come into the active world of AIA. Attend meetings, meet and talk to other member and develop relationships. Don't sit on the sideline. Participate quietly if you can't participate more actively. Do it for yourself, not for others. They will benefit with you. Alternatively, you may follow and participate in the Forum.

Graham Wright

Cumulative inflation

Alan Hull www.alanhull.com

This article is a discussion on the ever expanding money supply in the U.S. and the looming threat of ongoing inflation (cumulative inflation). But before I can illustrate the problem, I need to provide some background discussion. *So in the beginning...*

Historically gold coins were a commonly accepted and ideal form of currency because they were compact, reasonably lightweight and the material was scarce. Gold and silver also didn't rust or deteriorate and therefore could be safely stored for very long periods of time.



Then a practice developed of people handing their gold coins over to a goldsmith for safe keeping and holding a paper receipt instead. You could then use these receipts as currency because anyone who possessed a receipt could present it at any time to redeem the gold.

But because everyone just traded the receipts back and forth and rarely redeemed the underlying gold, Goldsmiths worked out that they could issue additional receipts which they could use to raise interest (by creating loans) or use them to purchase actual goods and services.

This was an early form of counterfeiting and it was naughty. What the goldsmiths were actually doing was expanding the money supply and this practice has now been institutionalized and is referred to as fractional reserve banking. Of course this is the basis of what the Federal Reserve does today...but with a slight twist that I will get to a little further on.

Under a fractional reserve banking system the idea is that the money supply can be expanded when necessary and then contracted back again at a later stage. The most obvious example of this is during wartime when more money is needed to fund the war effort. And this is exactly what the Americans have done during every war they've ever fought but when the campaign was over, the money supply would contract again and return to the underlying gold standard.

Of course whenever the money supply increased, the value of it decreased and inflation resulted. Hence it's probably best to think of inflation as the devaluation of a currency rather than the increase of prices. But as the money supply returned to normal, inflation would be offset by deflation and the value of a currency would return to what it was originally. Such was the case with the war of independence and the U.S. civil war in the mid 1,800s.

So a dollar bought in 1,800 pretty much what it bought in 1,900 but this certainly isn't the case coming forward. If you had a \$20 gold coin in the early 1,900s and a \$20 note, they would both have bought you a very nice custom made suit. But today the gold coin would still buy you a nice suit while the \$20 note wouldn't even buy you a leather belt to hold up your pants with.

So what's happened? Well at the conclusion of World War II there was a monetary and financial conference held at a place called Bretton Woods which included delegates from all 44 of the allied nations. The purpose of it was to deal with the economic cost and fallout of WWII and it was agreed that a partial gold standard would be implemented and the U.S. dollar (USD) would become the world standard currency. Much at the insistence of the U.S. representatives.

And this worked well for a while until several factors made this system difficult for the U.S., come the 1960s. One of the key problems was that the demand for gold was increasing and as the U.S. dollar was pegged to it, the USD was effectively increasing in value. This made it very hard for the U.S. to be competitive in international trade where you want a weak currency, not a strong

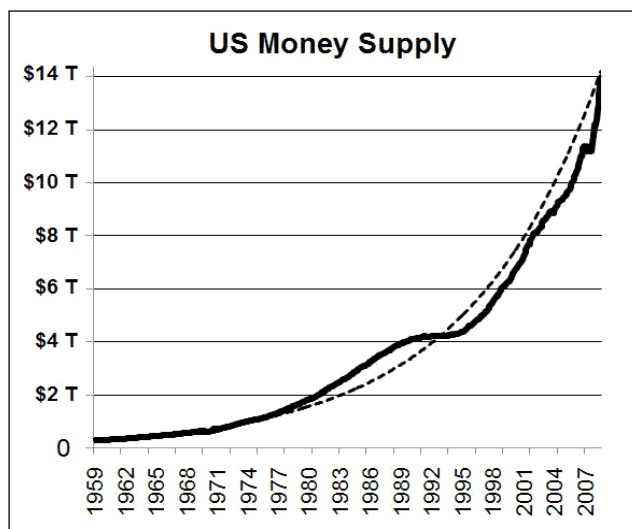
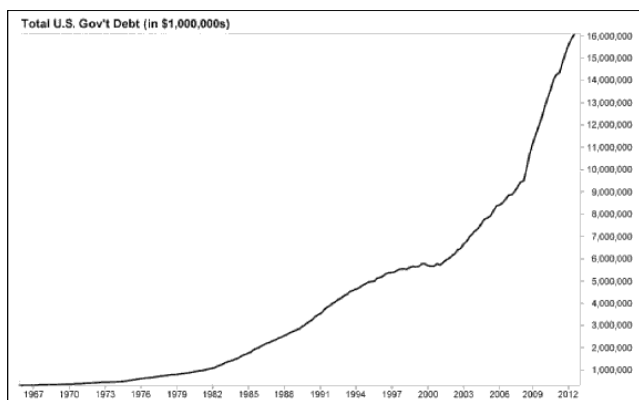
one. But along came President Nixon who in 1971 broke away from the gold standard.

And this is where things have gone a little crazy. What the U.S. had moved across to was fiat money where there is no longer any tangible backing such as gold or silver. Fiat money is actually backed by debt where any money being created has to be offset by an equal and opposite amount of debt. Hence the U.S. Treasury issues T-Bonds (a debt instrument) and the U.S. Federal Reserve then buys them by paying with printed money.

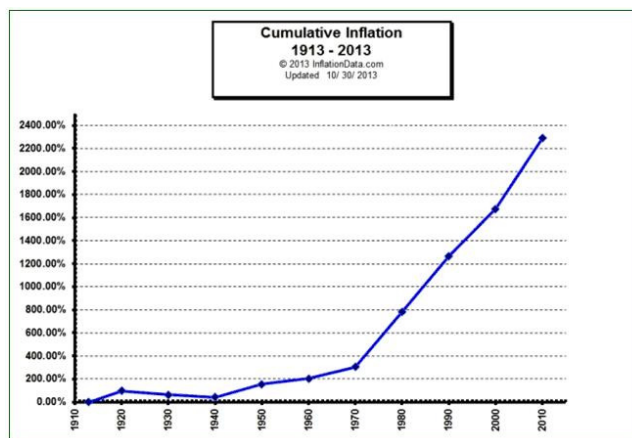
Well it's actually digital money nowadays. Right now the interest rate on U.S. T-bonds is so low that only the Federal Reserve would want buy them. This is because the Federal Reserve is the lender of last resort for the U.S. Government where the Fed is actually a cartel of major U.S. Banks (eg. JP Morgan, CitiBank) and not a government department as many people think.

But let's get back to the story of fiat money and here's the kicker...unlike money that is backed by a tangible asset, fiat money is backed by debt which attracts interest. Of course if you keep borrowing money and then have to service your original debt *PLUS* the interest then the supply of money must inevitably increase over time. And it is an exponential progression.

So now to some charts and the following 2 charts bare out my explanation where the long term U.S. government debt and U.S. money supply have both been increasing exponentially ever since the early 1970s. This, of course, is no coincidence...



In this context you can start to really appreciate the magnitude of the problem that's bearing down on the U.S. and why they are now stuck in a QE trap. This is a vicious cycle and now the charts are getting steeper and steeper. This includes the cumulative inflation chart as well...



This chart quite clearly takes off from just after 1970 and shows the real problem of inflation over time. We are being blindsided whenever we look at the annual inflation rate because historically it was offset by periods of deflation. Look at the first third of the above chart.

The real issue is that inflation in modern times is positive year after year and this is what erodes the value of a currency, not merely the magnitude of the annual CPI numbers. To say inflation is under control because the CPI is expected to be under 2% is misleading as what the U.S. really needs are equal and opposite periods of deflation, which hasn't occurred since the 1950s.

Inflation is often described as a hidden tax because the government is using printed money to meet its budget requirements and undertake its spending initiatives

while the resulting inflation is eroding the buying power of average consumers (ie. the voting public). But this is more politically acceptable than directly increasing taxes and is therefore a more preferable approach.

So when does it end? The U.S. Government and Federal Reserve can keep playing this game until the spell is broken by a loss of confidence. Holding interest rates low props up the U.S. property market and the Fed's Bond buying program will continue to prop up the Bond market.

But right now a lot of global asset markets (equity, debt and property) are pumped up on easy money and looking topky. A major correction in any of them will start the dominoes falling and quickly create a loss of confidence across the board. Hence, having cheap money to invest is only good when its returning a profit and its all one way traffic...up.

At first I expect that the U.S. dollar will spike up as investors leave risky assets and move to cash but then over the longer term I think investors will flee the U.S. (as several high profile U.S. fund managers such as Jim Rogers are advising) and the U.S. dollar will suffer accordingly. The ultimate result will be the USD being removed as the international standard.

Money is used to store or transfer wealth but it is not wealth itself. Hence when you print money you do not create wealth but value is transferred from those who earn and save money to those who print it. However when the system collapses (as 3,800 historical instances of fiat money have) then the real value becomes exposed. Fancy a cheap U.S. investment property?

The most important case ever in SMSF succession planning ... and what it really means

By Bryce Figot (bfigot@dbalawyers.com.au), Director, DBA Lawyers

Disclaimer: DBA Lawyers advised the plaintiffs during the course of litigation. We only mention facts made publicly available in the judgement.

The recent decision of *Wooster v Morris* [2013] VSC 594 is the most important decision ever regarding SMSF succession planning.

All SMSF practitioners must be aware of its facts and its vital lessons.

However, we fear that the key message might be getting lost in the industry. Namely, what matters — what really matters — is the identity of who is holding the 'purse strings' upon death or loss of capacity.

Facts

Mr Morris ('the deceased') had two adult daughters from a previous marriage (Mrs Wooster and Mrs Smoel, that is, the plaintiffs). He also had a second wife, Mrs Morris.

The deceased and Mrs Morris were the members and trustees of an SMSF.

In March 2008, the deceased made a binding death benefit nomination. The BDBN was in favour of the plaintiffs in respect of all of his interest in the SMSF.

The deceased died in February 2010. His interest in the SMSF was \$924,509.

Probate of the deceased's will was granted to the plaintiffs (ie, the plaintiffs were the deceased's executors).

After the deceased's death, the surviving trustee (ie, Mrs Morris, the step mother of the plaintiffs) was left running the SMSF. Mrs Morris had a son from a previous relationship and Mrs Morris appointed him as her co-trustee.

Later on, the trusteeship of the SMSF was changed to a company called Upper Swan Nominees Pty Ltd. Mrs Morris was the sole director and shareholder of Upper Swan.

For reasons not mentioned in the judgement, the trustee decided that the BDBN was not binding. Instead, Mrs Morris, as sole director of the trustee, decided to pay none of the deceased's death benefits to the plaintiffs but instead she decided to pay all the death benefits to herself.

The plaintiffs issued court proceedings seeking declarations that — among other things — the BDBN was valid and binding.

The parties agreed that this question be answered by a 'special referee', rather than the court.

The special referee found in favour of the plaintiffs, holding that the BDBN was valid and binding and that the plaintiffs were entitled to be paid \$924,509 plus interest.

However, the trustee's legal fees in defending the claim were 'substantial' and had 'been paid only from the accounts in the name of the deceased'. For example, the

court mentioned that the draft financial accounts for 2013 record legal fees of \$302,699 and accounting fees of \$43,560.

The trustee and Mrs Morris (ie, the defendants) argued that the plaintiffs should be paid only out of the deceased's interest in the SMSF.

Question for the Court

The court considered a number of questions. One question was what was available to be paid to the plaintiffs: was it limited to only what the deceased had in the SMSF, or could the plaintiffs also access money that Mrs Morris had in the SMSF plus her personal money?

The court held that:

As a consequence of the decisions of Mrs Morris, if the defendants claimed an indemnity from the [SMSF], they would bear only a small portion of the financial consequences of the litigation, despite being entirely unsuccessful. Rather, the loss would be borne almost entirely by the plaintiffs in the depletion of their interest in the [SMSF].

The court declared, among other things:

- all moneys held by the SMSF (including Mrs Morris' member accounts) were available to meet the payments; and
- the trustee and Mrs Morris personally were jointly and severally liable to pay all outstanding money.

Lessons for practitioners

Wooster v Morris contains many vital lessons that all SMSF practitioners must be aware of.

Lesson 1 — LPR does not automatically become a trustee

Wooster v Morris clearly dispels the myth that when a person dies their executors (legal personal representatives) automatically become a trustee in the deceased's place. Here, the plaintiffs were the deceased's executors but they did not become trustees.

Rather, the identity of trustee upon death is determined by the trust deed of the SMSF. In DBA Lawyers' opinion there are very few deeds that appropriately distribute the power to appoint a trustee upon death or loss of capacity.

Lesson 2 — BDBNs are only a partial solution at best

There is a misconception that SMSF succession planning is completely handled by making a BDBN. *Wooster v Morris* clearly dispels this myth as well. In *Wooster v*

Morris the deceased had made a valid BDBN but the plaintiffs still had to spend over three and half years in legal battles to obtain their money.

Accordingly, an adviser cannot simply tell a client to make a BDBN and expect that succession planning is handled. This leads into the most important lesson from the case.

Lesson 3 — what really matters is the identity of who is holding the 'purse strings'

Wooster v Morris clearly demonstrates that far more important than any BDBN is the identity of who is holding the 'purse strings' upon a member's death or loss of capacity. As stated above, this depends to a very large degree on what the trust deed of the SMSF provides. There is huge variation in this regard. Although DBA Lawyers carefully draft their deeds to ensure sensible outcomes, many practitioners find that other SMSF trust deeds have poorly drafted provisions that invariably result in the 'minority' surviving member(s) wielding an unfair amount of power upon death.

Find out more with *The Complete Guide to SMSFs and Planning for Loss of Capacity and Death*

DBA Lawyers offers a detailed, step by step publication designed to ensure complete and thorough SMSF succession planning, ranging from ensuring the right people are running the SMSF, to ensuring maximum tax efficiency, and much more.

DBA Lawyers is currently updating *The Complete Guide* to cover *Wooster v Morris* and many other changes. The updated version will be available by 31 January 2014 and will cover:

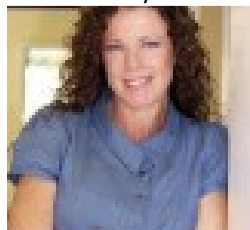
- the most detailed commentary ever written on how to ensure that the right people are running the SMSF at the right time;
- the latest on reversionary pensions in light of TR 2013/5 and SMSFD 2013/2;
- the latest on anti-detriment strategies;
- when the holder of an enduring power of attorney can exercise the donor's shareholder rights ... and when they cannot; and
- much, much more.

For more information on *The Complete Guide*, see www.dbalawyers.com.au/complete-guide

This article is for general information only and should not be relied upon without first seeking advice from an appropriately qualified professional.

Treat your investments like a business

Corina Bailey – Landlord Guru



Remember To Treat Your Investments Like A Business:

Having an emotional attachment is among the top mistakes real estate investors make when turning a home into a rental. It's important to go about writing advertisements, handling tenants, using the right forms, following procedure and collecting rent very seriously. Be sure you have the appropriate resources for maintenance and budget for unexpected repairs. To get the best results and to make more profit, be careful not to treat your investment portfolio just as a hobby. It pays to have a professional business plan along with a reliable financial and advisory team to help lead you in the right direction.

Avoid Buying the Wrong Property

In the world of real estate investments money is either made or lost. Only purchase a property if it has the potential to even out in cash flow after taxes, principal, interest and insurance have been paid as well as properly taken care of repairs. If you are trying too hard to get the numbers to add up for you on paper, it's probably not good timing for you at the moment to invest in property, best to speak with an expert in this field.



Avoid Renting to the Wrong Tenants

This is the only thing worse than a rental property being vacant. Make sure you interview your tenants, fully identify them, run a credit and tenancy background check, and have them show proof of income before they move in. You don't want disrespectful tenants in your property that don't look after the place, leave the place in disrepair and on top of that, stop paying the rent. Renting to the tenant that is less than ideal will only cost you more money in the long run.

Regardless of whether you self-manage or use a Property Manager, it is important you play an active role in this process.

Don't Waste Your Money on Upgrades Unless They Are Necessary

When working with a limited budget, it is important that you spend money only on essential and necessary things in order to maintain your landlord obligations and responsibilities' as required by the Residential Tenancy ACT. Your property needs to be safe, clean and look presentable. Ask yourself "Would I want to live here?", if the answer is no, chances are your tenants are not happy either. If budget permits spend a little investing in items that will assist keeping your good tenants happy and staying long term i.e. installing an air conditioner or upgrading appliances.

From the start of your investing and 'landlording' experience, take the time and right steps to avoid potential pitfalls down the track.

Author: Landlord Guru – Corina Bailey

See more at: <http://landlordspecialists.com.au/treat-your-investments-like-a-business/#sthash.PJKlr3V6.dpuf>

Rising interest rates don't mean falling bond prices

Elizabeth Moran

Key points:

1. Because rate rises are already factored into bond prices, interest rate rises themselves don't impact the price of bonds. It's the changes in expectation which impact bond prices.
2. No matter what happens to interest rate expectations, if you are a hold to maturity investor, fixed rate bond income and final overall return will be known when you purchase the bonds.
3. Some favoured fixed rate bonds are: Qantas, Stockland, Dampier Bunbury Natural Gas Pipeline and Downer EDI.

Consciously or unconsciously investors make decisions about the direction of interest rates when they invest. For example if you have \$100,000 to invest for a year in a term deposit, do you take the best rate for the coming year which might be for 90 days and hope that interest

rates rise in the meantime, so that when you come to reinvest you will earn more income, or do you invest for the whole year at a lower rate?

The way in which institutional investors assess likely changes in interest rates is by analysing the bank bill swap rate (BBSW) yield curve. This curve constantly changes. Every business day, a panel of banks project their forward interest rate expectations for periods from one day out to 30 years and by joining these expectations over time the market builds the yield curve. This yield curve, therefore, represents the banks' forward expectations of interest rates.

The current curve is positive, meaning interest rates are expected to rise gradually over time. In fact the current curve shows that interest rates are projected to rise by just 1 per cent over the next three years and 1.34 per cent over five years. In ten years' time the banks forecast the swap rate at 4.67 per cent, a rise of 2.17 per cent over the cash rate. What most investors don't realise is that these forward rate expectations are already built into the price of fixed rate and floating rate bonds that are trading in the secondary market.

Because rate rises are already factored into bond prices, interest rate rises themselves don't impact the price of bonds. It's the changes in expectation which impact bond prices.

If we consider the current curve, and the expectation that rates will increase by 1.34 per cent in five years, this increase is already factored in. If interest rates do not rise as expected and are lower, the price of fixed rate bonds would rise (resulting in higher returns if investors sell the bonds prior to maturity). The opposite is also true. This function is similar to share prices when news of a loss "wasn't as bad as expected" and so the share price rises; despite bad news.

No matter what happens to interest rate expectations, if you are a hold to maturity investor, fixed rate bond income and final overall return will be known when you purchase the bonds. Fixed rate bonds pay the same dollar income every year regardless of what happens to interest rates. It will just cost more to buy the bond in the future if interest rates don't go up as currently expected.

If your individual expectations of interest rates differ from those shown in the curve, you can then weight your portfolio accordingly.

Like any market, it comes down to where you see the risks: do you think there is a bigger risk of disappointing economic news (in which case the yield curve will fall or flatten). If so, then you should have a higher allocation to fixed rate bonds. Our current favourite fixed rate bonds are listed in Table 1.

Issuer	Maturity date	Yield to maturity	Running yield	Capital price	Face value	Capital value
DBNGP Finance Corporation Pty Ltd	11/10/2019	5.55%	5.87%	102.209	\$10,000	\$10,221
Downer Group Finance Pty Ltd	29/11/2018	5.67%	5.73%	100.340	\$10,000	\$10,034
Qantas Airways Limited	27/04/2020	7.08%	6.73%	96.561	\$10,000	\$9,656
Stockland Trust	25/11/2020	5.43%	7.10%	116.163	\$10,000	\$11,648
Source: FIG Securities					\$40,000	\$41,559

Note: Prices accurate as at 10 December 2013 but subject to change
Black= retail and wholesale, red = wholesale only

Table 1

Key terms

Bank bill swap rate (BBSW)

A compilation and average of market rates supplied by domestic banks in regard to the specific maturities of bank bills. BBSW is calculated at ten o'clock every morning and compiled by AFMA.

The purpose of BBSW is to provide independent and transparent reference rates for the pricing and revaluation of Australian dollar derivatives and securities.

Yield curve

A graph showing the relationship between yield to maturity and time to maturity

This publication has been prepared as information without consideration of any reader's specific investment objectives, personal financial situation or needs. No reader should rely upon the information and/or recommendations contained in these publications. Readers should, before acting on any information contained herein, consider the appropriateness of the information, having regard to their objectives, financial situation and needs.

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