TOWER

Sales&Marketing Update

8th Edition **June 2004**

TOWER – your partner

I am pleased to say things are really picking up speed. There is no doubt that the steps that we at TOWER have taken this year are starting to pay off.

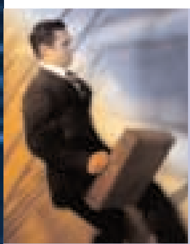
Find out more

Peter Martindale's Stories from the Naked City

"There are eight million stories in the Naked City... this has been one of them."

Anyone who can remember TV in the 1960s should be able to recite that quote – from the cop show of the era – The Naked City. **A talk with Peter Martindale**

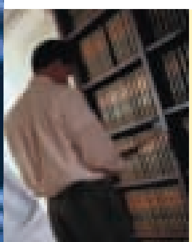
Insurance Planning



Inspire Others to Be Their Best

How does one inspire others?
Some simple techniques that can be used to inspire people to be their best.

Inspiration



Super Changes

Over the course of the last financial year there have been a number of changes made to superannuation. A brief summary of each change, an identification of the types of clients it will affect and the sales opportunities that the change may present.

Find out more

Back to index

TOWER – your partner

I am pleased to say things are really picking up speed. There is no doubt that the steps that we at TOWER have taken this year are starting to pay off.

Jim Minto
TOWER Australia
Chief Executive Officer

New products and better service have clearly helped you do more business and this is showing through strongly across the board. TOWER's sales are up strongly and this bodes well for the remainder of this calendar year.

It is clearly good news for all of us. It just goes to show that TOWER can deliver when it puts its mind to it. Clearly, it is my job now to make sure that not only do we continue to deliver on what we have already promised, but deliver more on what we are promising for the future.

It is all about TOWER being your partner – rather than just another supplier. We have done a lot of work on this and we are continuing to try and do better. Please don't hesitate to let us know if you feel we fail to deliver on a promise.

Probably the biggest news of the month just finished, however, has been the ASIC report into 'Soft Dollar' commissions and the funds management industry.

We have received a number of media inquiries on this topic – ie our attitude to the process and our likely response to the ASIC Report. Clearly, the issue is not only one for funds management, but all sectors of the financial services industry.

I have had a read of the ASIC report and for an outsider it probably paints a bad picture of the industry. It gives the impression that many advisers have been enjoying luxury lifestyles due to soft dollar commissions and that the consumer has been the end loser.

In reality, we know that the image painted by some is wrong. Many so-called 'soft dollar' benefits do represent reward for effort and are part of the normal process of suppliers working more closely with advisers.

However, there is also no doubt that there have been excesses and that some clean-up of the system was required especially over concerns that the process was some-what clouded leaving consumers blinded to the true situation.

The ASIC report recommends the only realistic outcome and one we, at TOWER, fully endorse.

The consumer has the right to know and that disclosure should be open and clear.

As long as the consumer can make an informed decision with access to all the relevant information, there should be no need for extra regulation on the industry in this area.

Over regulation is just as dangerous for all parties as is under regulation.

I have received a sympathetic hearing from many audiences on the issue of the need for FSR to be fine-tuned.

Initially, many in the media felt I was 'talking my own book' and calling for FSR to be wound back solely for the benefit of the industry and advisers.

However, after going through the issues with some key journalists, they too recognise that the current complexity of FSR in terms of disclosure and Statements of Advice may be disadvantageous for small investors. It is starting to hit Middle Australia.

It is my belief that many other people, including the regulators, are recognising that FSR does need to be fine-tuned to ensure it is accessible by all. Movement in that direction will take time but let us hope it occurs – starting pretty soon.

Further inside the edition you will find a story on Peter Martindale of Adelaide. Peter is probably well known to you all.

Peter's profile is the first of an occasional series we will put together looking at the experiences of risk advisers and how they view the industry and their role within it.

The stories Peter tells of working with his clients and delivering the benefits of risk insurance at a time of need are no different to those experienced by yourself but they do serve to remind us why we are in this industry.

There is always the human element, of helping people at a time of need and it is those types of stories which make us all feel good about who we are and what we do especially now at this time of the year – the end of the financial year – when we weigh up what we have done in the past year in monetary terms.

Jim Minto
Chief Executive Officer,
TOWER Australia Limited

Back to index

Peter Martindale's Stories from the Naked City

A talk with Peter Martindale

Peter Martindale

"There are eight million stories in the Naked City... this has been one of them."

Anyone who can remember TV in the 1960s should be able to recite that quote – from the cop show of the era – The Naked City.

In talking to Peter Martindale the other day, the line immediately came to the minds of both of us – except with Peter; there was more than one story. It was like the whole Naked City series in one.

Peter is a CFP who says that he made the sometimes difficult transition from life insurance agent to a strategic financial planner over a period of a couple of decades.

While now enjoying helping families build their future by planning and saving, Peter considers that there is still more satisfaction in arranging for a death or disability claim to be paid to a needy person.

Peter has a lot of stories to tell – but he is probably no different to most other risk writers in today's business. His stories are about life and unfortunately, death, illness and injury. Most of all, they are about how risk insurance saves lives.

It's not so much the physical act of saving a life, but more the protecting of a lifestyle in difficult circumstances.

Peter says it all in a couple of lines, which are also probably quoted by many other risk representatives.

"I am not selling insurance – I am in the business of saving families and clients don't care how much I know, they just want to know how much I care".

And Peter is probably not alone when he shows emotion when telling some of his stories. He is clearly moved by the memories of many of his experiences.

Peter has been arranging personal protection insurance and financial outcomes for nearly 30 years, but has been an independent operator now for around 23 years. In that time he has met a large number of people, most of whom never felt they needed life and disability insurance.

"For the first ten years, I never had to deal with a client who died. In the past 20 years however, I have had to deal with a large number of death claims in some of the most tragic of circumstances, "he says.

"There is the case of the couple who came in to invest a little in a superannuation policy. He didn't want insurance, but the wife insisted. The policy was barely three weeks old when he unfortunately died after a small operation.

"For the wife, this meant she could live mortgage free and clear all the other accumulated debts as well."

But it is not only about one party living debt free forever after.

"People often forget that a life policy is also an investment that can make things easier in tough times even before a claim is made".

Peter becomes very emotional on occasions when remembering some of his clients and their experiences.

"One client's insurance on his wife allowed him to borrow against the policy at a time when she was ill with cancer, "he said.

"By borrowing against the policy, he was able to make her life easier in its final stages. He was able to ensure that she received the best medical attention while being able to buy other things (like an easy to drive car) to make her more comfortable".

"In this instance, the policy effectively 'paid-out' beforehand. Today most death cover policies offer a terminal illness benefit that pay out while the insured person is still alive. Recently, this helped a family through the last days of a young dad with five small kids. The other day I went to his funeral.

"What made it more bearable for me was the fact that his life insurance was more than enough to ensure that the widow was able to pay for all the children to get a quality education, clear the debts and help her continue with life."

"It was truly a case where I felt I had given the family a future and with the private school education that the father really wanted.

"Of course, it isn't always a happy ending. There is always

Click to continue

Back to index

the case of the client who didn't take the advice offered and the kids subsequently had to leave their college."

From Peter, the personal experiences continue – from the young woman who suffered a brain injury over a decade ago and is still receiving payments under an income protection policy; to the widow who is now a successful businesswoman in her own right after the policy topped up the savings previously spent on medical expenses.

And then there is the case of the fellow who can now live comfortably after Trauma and Income Protection policies allowed him to keep his business running while he was seriously ill.

According to Peter, these are not rare stories, but they are tales the industry should tell as a way of pointing out to others the need for risk coverage.

"When you meet people and tell them what you do, they tend to back away saying "oh, you sell life insurance and so it is easy to simply say – financial planner!"

"All I need to do is a CIMER analysis on my clients in a time of need –

C: the opportunity to Clean up Estate Debts;

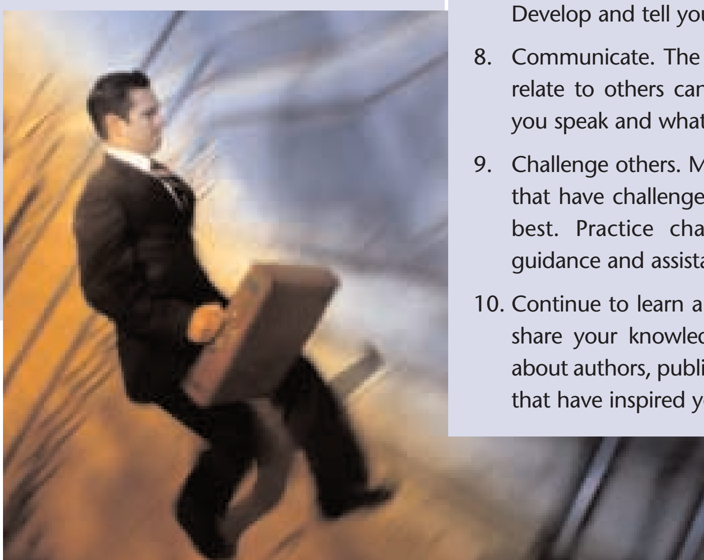
I: to give them an income stream;

M: to remove the mortgage;

E: to pay for the kids education and;

R: to put some capital away for retirement and financial independence.

Peter says "It is all about giving people the opportunity to start a new life. It is financial planning but of a different sort." "I have been fortunate to be a part of many stories from my Naked City!"



Inspire others to be their best

How does one inspire others?

Following are some simple techniques that can be used to inspire people to be their best:

1. Be a good role model.
2. Care about others. There is an old saying "People don't care about how much you know until they know how much you care".

   So take a real and genuine interest – ask questions about them, their interests, family, goals and aspirations. And most importantly – LISTEN.
3. Offer encouragement. Everyone, at various times in their lives, will go through tough and challenging times.

   Support and encourage people during these times, you'll be inspire and encourage them to see the best in themselves and in the situation.
4. Inspire yourself. Where possible, avoid negative people and situations.

   Surround yourself with friends, family and business associates that inspire and motivate.
5. Share your experiences. You have more to share than you realise.

   Share your wisdom and life experiences – you really can reach out and touch someone and inspire them with your message.
6. Share your failures. Share your life and business lessons, failures and successes. Others will relate to you and understand that they're not the only ones that face challenges in life.
7. The power of story telling. Stories inspire. Develop and tell your own inspiring stories.
8. Communicate. The ability to communicate and relate to others can inspire others. Watch how you speak and what you say.
9. Challenge others. Many of us have had mentors that have challenged and inspired us to do our best. Practice challenging others and offer guidance and assistance when required.
10. Continue to learn and grow. Stay informed and share your knowledge with others. Tell others about authors, publications, speakers, and events that have inspired you. Share your knowledge.

Back to index

Super Changes

Over the course of the last financial year there have been a number of changes made to superannuation. Outlined below is a brief summary of each change, an identification of the types of clients it will affect and the sales opportunities that the change may present.

Introduction of Co-contributions

The Governments Co-contribution payment scheme is designed to increase the level of voluntary savings made into superannuation. From 1 July 2003 individuals earning up to $27,500 pa will have their personal contributions matched dollar for dollar, up to a maximum amount of $1,000. Individuals earning between $27,500 and $40,000 pa will be entitled to a reduced Co-contribution amount. To be eligible individuals must be less than 71 years at the end of the financial year and be a permanent resident for tax purposes.

The amount of the reduced Co-contribution is the lesser of the amount contributed and the amount calculated using the following formula:

$1,000 – (Income -$27,500) x $0.08

Example

An employee, who earns $35,000, makes an undeducted contribution of $500 to superannuation. What is the amount of the Co-contribution?

The lesser of $500 (amount contributed) and $400* (amount calculated)

*$1,000 - ($35,000 - $27,500) x 0.08 = $400

**Assumes a growth rate of 6% pa net of all fees and taxes.*

The Australian Tax Office will determine an individual's eligibility for the contribution based on the information contained in their tax return and the data received from the trustee of the fund.

Who are your target clients?

- Individuals earnings less than $40,000 who receive employer support

What are your opportunities?

- Contact clients who are eligible for the Co-contribution and calculate the impact that these additional contributions will have on their retirement income.
- To illustrate, a client (aged 55) earns $25,000 pa and makes a $1,000 annual contribution to superannuation. At the end of 10 years they would have an additional $26,360* in their superannuation (not bad considering they only invested $10,000).

Reduction of Surcharge Tax Rate

The controversial super surcharge tax will be reduced from 15% to 12.5% over the next three years. The reduction will be phased in as follows:

2003/2004	**14.5%**
2004/2005	**13.5%**
2005/2006	**12.5%**

Who are your target clients?

- Individuals who have an Adjusted Taxable Income in excess of $94,691.

What are your opportunities?

- Contact clients who are in surcharge territory to advise them of the change
- Review your client's current contributions in light of the increased tax-effectiveness of contributing to superannuation.

No New Mature Age and Partner Allowance Grants

The Mature Age and Partner Allowance is closed to new applicants effective 20 September 2003. It will however continue to be paid to those individuals who qualified prior to this cut-off date provided they continue to satisfy the asset and income test.

Who are your target clients?

- Clients who are currently in receipt of either a mature age or partner allowance
- Clients who are looking to retire soon and are below age pension age

What are your opportunities?

- Contact clients currently in receipt of mature age/partner allowance and alert them to the change

Click to continue

Back to index

Super Changes (continued)

– highlighting the importance of continuing to satisfy the income and assets test to avoid losing their mature age/partner allowance.

- Contact clients (under age pension age) who are looking to retire soon and may have been intending to rely on the mature age allowance/partner allowance until they reached age pension age. They will need to be informed that they will not qualify for the mature age/partner allowance and that they will need to satisfy a 'work test' to qualify for the new start allowance.

Introduction of Quarterly Superannuation Guarantee

Effective from 1 July 2003, Superannuation Guarantee (SG) contributions are required to be made to a complying superannuation fund quarterly (previously they only need to be made annually).

The due dates for paying SG contributions and the SG charge (in the event of late payment) are outlined for each quarter in the following table.

SG Quarter	Due date for SG contributions	Due date for lodgement of an SG statement and payment of the SG charge
1 July-30 September	28 October	14 November
1 October- 31 December	28 January	14 February
1 January- 31 March	28 April	14 May
1 April- 30 June	28 July	14 August

In addition employers are now required to report to employees, in writing, the amount contributed and the name of the superannuation fund that received the contribution.

This must be done within 30 days of the contribution being made. Employers should be warned of this requirement as failure to report on time could see them liable for penalty costs of up to $3,300 per employee. It should be noted that there is no specific format for the written report and so the information may be communicated via a letter, payslip, e-mail or using the standard template provided by the Australian Tax Office.

Who are your target clients?

- Corporate (employer) clients
- Clients who run a small business using a company structure (even though they may be a 1-man team they are still required to report to themselves).

What are your opportunities?

- Contact your target clients and advise them of this change. This point of contact could present the ideal opportunity to review their corporate fund in light of the benefits that the ARC corporate master trust could offer them.

Changes to the rules surrounding commutation of pensions and annuities

Changes have been made to the superannuation regulations to strengthen the pension and annuity standards effective 1 October 2003.

- A pro-rated minimum pension/annuity payment must be made from a superannuation pension/annuity before an individual makes a lump sum commutation.

Example

David commenced his pension on 1 July 2003. He elects to receive the minimum pension payment ($20,000) paid annually in arrears. On 1 January 2004 he decides he would like to buy a little boat and so applies to withdraw $5,000 as a lump sum payment from his allocated pension fund.

Because David has not yet received any of his pension payment for the year the trustee of the fund must pay $10,000 in pension payments prior to paying the $5,000 as a lump sum.

- The six-month commutation period for a complying pension/annuity is a once only "cooling off" period that cannot be extended by rolling over to another complying annuity or pension.

Click to continue

Back to index

Super Changes (continued)

- Previously a minimum pension or annuity did not need to be paid in the current financial year if the commencement day of the allocated pension or annuity was on or after 1 April. However this three month window of opportunity has been reduced to just one month, with the cut-off date changing to 1 June. Therefore a minimum pension payment can only be avoided for the current financial year where the pension/annuity is commenced after 1 June.

Example

Jenny commenced a pension on 5 April 2004. Under the old rules (prior to 1 October 2003) Jenny would not have to receive a pension payment for the 2003/2004 financial year as she commenced the pension after 1 April. However as the pension was commenced under the new rules (after 1 October 2003) she will have to pay a pro-rated minimum pension payment for the 2003/2004 financial year.

Who are your target clients?

- Clients who are in the pension phase
- Clients commencing a pension towards the end of the financial year
- Clients who are considering or have recently commenced a complying pension or annuity

What are your opportunities?

- There are now fewer opportunities, as the primary intention of these changes was to stop the deferral of pension income.

Reduction of excess benefits tax

From 1 July 2002 the excessive component of an Eligible Termination Payment (ETP) will have a reduced tax rate of 38% applied to the post-June 1983-taxed component. This reduction in tax will also apply to death benefits paid to dependents. The remainder of the excessive component of the ETP will still be taxed at 47%. This compares to having the entire excessive benefit taxed at 47% under the old legislation.

In addition the amount of surchargeable contributions reported by a fund in respect of a member that has received an excessive component, as part of their ETP, will be reduced. The reduction will be calculated as the lesser of the grossed up excessive component or the surchargeable contributions.

The tax office will assess whether an individual is entitled to receive these concessions based on the information provided in the individual's tax return and information provided by their superannuation provider.

Who are your target clients?

- Client's who have received an excessive benefit on or after 1 July 2002.
- Clients who are looking to take an eligible termination payment that contains an excess benefit in cash.

What are your opportunities?

- Review the tax consequences of clients funding in excess of their Reasonable Benefit Limit (RBL).