

Transition To Retirement

One of the significant improvements to superannuation rules in recent times has been the introduction of Transition To Retirement (TTR) pensions, which applies to individuals who are 55 or over.

What is Transition to Retirement?

Put simply, the new TTR rules allow working Australians access to their super before they retire. The intention of the TTR rules was to enable workers approaching retirement to 'transition' towards retirement by reducing their work hours and to supplement reduced employment income with pension income.

However, as there is no requirement for a reduction in working hours to commence a TTR pension, other strategies can be legitimately utilised by people who are not scaling down their work activities. So other than supplementing a drop in take-home pay TTRs can also be used to...

- Boost your super savings in the lead up to your retirement without reducing your income **or**
- Give your income a boost while you are working full time to access more money today.

A properly structured TTR strategy may also assist in maximising the Age Pension entitlement of a spouse.

TTR strategies have been popular with many clients since they were introduced. But now, with pension payments being tax-free for those aged 60 or over, TTR pensions are even more attractive and we expect the use of TTR strategies will continue to strengthen.

If you would like to see how a Transition to Retirement strategy might be beneficial for you, please contact us to arrange an appointment.

Rick Maggi

AI Gore – Sustainable Fund

In September, Former US VP AI Gore's company, Generation, signed an exclusive agreement with Colonial First State. Under the deal, investors are now able to invest in the Generation Global Sustainability Fund.

Generation was co-founded in 2004 by Gore and Goldman Sachs JBWere chief executive, David Blood. Blood says that what distinguishes Generation from other investment managers is that it focuses on sustainable investing, not socially responsible or ethical objectives. ["We don't want to impose our values on businesses"](#), he says.

Sustainable investing is based on the idea that economic, health, environmental, social and governance factors affect the long-term performance and profitability of a company. ["For us it is about values that are sustainable. If the environment and economy is sustainable, so too will be the profits of the business"](#), he says.

The fund invests in businesses that meet certain criteria. While corporate governance standards and climate change are the obvious factors considered by Generation, there are other broader themes. These include the company's ability to respond to regulatory changes as a result of environmental changes and how it attracts and retains staff.

The high conviction fund aims to invest in 26 to 60 companies and currently holds 45 companies in the portfolio. For a self-confessed "recovering politician", Gore believes incorporating environmental factors into investment decisions can ultimately drive climate change. ["One of the reasons we have a climate crisis is that factors relevant to climate haven't been taken into account in investments"](#), he says.

Market Summary

In September the RBA reviewed the stability of our financial system and, thankfully, it was given a clean bill of health. This was good news at a time of extreme financial market volatility.

In other economic news, unemployment remained at 4.3% for the fourth successive month and national account figures showed the economy grew 4.3% in the year to June 2007. The economy continues to perform well.

The AUD rose 8.5% against the US dollar (USD) during September. It started the month at US 81.61 cents and ended it at US 88.58 cents. A year ago the AUD stood at US 74.65 cents.

Australian shares From a low of 5670 points in mid-August, the S&P/ASX All Ordinaries share price rose 910 points or 16.0% to a new record of 6580 in September. It finished the month at 6579 capping off a turbulent few months. For the month of September, the S&P/ASX 300 Accumulation index rose 5.6% to be up 32.7% over 12 months.

The key events driving the Australian sharemarket were predominantly, but not exclusively, offshore. In August, the US Federal Reserve stated that it would take whatever steps were necessary to help the broader economy deal with the fallout from the sub-prime issue. In September it reduced its Fed funds rate by 0.5% to 4.75%, extending the sharemarket rally.

Global shares Most global sharemarkets moved in a similar pattern to Australia during September and were driven by the same US factors. However, there was a twist. The MSCI World index, a broad measure of global shares, rose 4.6% in USD but actually fell 3.6% when measured in AUD. The strong AUD eroded returns for Australian investors.

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The US interest rate cut on September 18th stoked the fires under an already rising US sharemarket. During September, the Dow rose 4.0%, the S&P 500 was up 3.6% and the NASDAQ rose 4.1%.

The US economy faces a rough time over the next 12 months and the market is expecting the US Federal Reserve to cut official interest rates again. This should help the US economy and its sharemarkets.

European markets were more subdued with their interest rates on hold. The UK's FTSE 100 rose 2.6%, the German market was up 2.9% and the French market rose 0.9%.

In Asia, Japan's Nikkei index rose 1.3% as its relatively new Prime Minister, Mr. Abe suddenly resigned. Elsewhere in Asia, China's Shanghai's B market rose 13.6% while Hong Kong was up 13.2% as the Chinese authorities permitted Chinese citizens to invest in Chinese companies listed on the Hong Kong exchange.

Fixed interest During September, fixed interest markets were coming to terms with the fallout from the US based sub-prime issue. The cost of borrowing for Australian corporations rose as lenders reassessed their risks. Companies with good credit rating saw their cost of borrowing rise around 0.20% while lower rated companies saw their borrowing costs rise around 0.50%.

The Reserve Bank of Australia (RBA) left its official cash rate unchanged at 6.50% as markets pushed interest rates by themselves.

Listed property After an 8.4% rise in August, the listed property sector rose a more modest 2.3% in September to be up 20.1% over 12 months. While the sector has underperformed the broader market, the absolute return remains strong.