Monthly Bulletin

November 2014 Edition

Starting point valuations matter, a lot

It stands to reason that the cheaper you buy an asset the higher its prospective return will be. However, this is frequently forgotten with investors often tempted to project recent returns into the future regardless of valuations.

Read article

The end is nigh, or is it?

Investors should recognise that shares climb a wall of worry, try and turn down the "news" volume, focus on investing for the long term, and remember the best time to invest is when everyone is gloomy.

Read article

The US markets are on a winning streak

Ken Ngeow
Director, Wealth Matrix

Ken's Corner

Welcome to the November 2014 Edition of our Monthly Bulletin. The disparity in World financial markets was very apparent this month as US markets surged whilst Europe limped along and our local markets fell on the back of disappointing growth figures from China and slumping commodity prices. The Dow and S&P 500 hit all time highs five times in November as financial figures pointed to a sustained recovery in the US markets. In the first article, Shane Oliver examines valuations across different asset classes and believes US and Australian shares are not too over-priced as yet and will have reasonable returns relative to bond yields. In the second article, Shane Oliver believes investors should focus on the long term, especially when they are faced with volatile markets and negative economic views.

In Focus this month examines Capital Gains Tax (CGT) implications for trust including Super funds owning insurance policies and the payout of these insurance benefits.

In Focus

CGT implications for trusts owning insurance policies

For life cover, including Terminal Illness Benefits (TIB)), section 118-300 of the ITAA exempts the insurance policy proceeds received by the taxpayer from CGT in both super and non-super ownership arrangements.

However, in non-super ownership arrangements for section 118-300 to apply as it currently stands, the recipient of the proceeds must be, in very broad terms, the original beneficial owner (OBO) of the life insurance policy under the first part of the section's exemption.

Alternatively, if not the OBO, the second part of the section 118-300 CGT exemption can apply as long as the recipient of the life insurance policy proceeds did not acquire the policy for consideration.

For cover related to injury and illness (i.e. Total and Permanent Disablement (TPD) and Trauma), it is section 118-37 of the ITAA that exempts from CGT the insurance proceeds received by the taxpayer. For this section to apply to these types of cover, the policy proceeds must be received by the life insured or a relative (which is broadly defined for this purpose).

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