Prepare FOR LIFE
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LIFE FINANCIAL PLANNERS Pty Ltd

In this issue

EARLY WITHDRAWAL FROM TERM DEPOSITS

Why does my bank require a month's notice if I want to withdraw from my term deposit early?

Many of us have money set aside for no immediate purpose, so we have often deposited the money in a term deposit offered by our bank. Banks traditionally offer term deposits for periods ranging from one month to five years. The interest rate the bank pays is set at the time we make the deposit.

However, from time to time, a situation may arise where we need to access money that is in a term deposit.

Generally, accessing a term deposit early has not been too difficult but our bank may charge a fee and/or adjust the interest payable on our term deposit to reflect the early withdrawal.

However, from 1 January 2015, things changed. In addition to charging a fee and/or adjusting interest on the early withdrawal from a term deposit, banks are now requiring that a depositor gives 31 days' notice if they intend to withdraw all or part of a term deposit early.

Why is notice now required?

Authorised deposit-taking institutions (i.e. banks) are governed by complex legislation.

A recent change, referred to as the "Basel III Liquidity Reforms", has introduced new minimum liquidity requirements that must be met by our banks. The liquidity requirements are covered by a Liquidity Coverage Ratio (LCR) that took effect from 1 January 2015.

The LCR is designed to ensure that banking institutions have sufficient funds available to survive an "acute stress scenario" (e.g. a run on the bank) that lasts for one month. To meet this requirement, banks need to maintain a stock of "high quality liquid assets" to cover "total net cash outflows" over the next 30 days.

It goes without saying that the higher the total net cash outflows a bank has, the more money that needs to be held in these high quality liquid assets. The interest a bank might earn on these high quality liquid assets may not be as high as may be earned on other investments the bank may make, therefore banks will have an interest in minimising their "total net cash outflows" and therefore the amount that needs to be held in these high quality liquid assets.

What does this have to do with me as a term deposit holder?

Where a bank issues term deposits and requires deposit holders to give more than 30 days' notice of intention to withdraw our money early (i.e. before the expiry of the term deposit), the value of money deposited in those term deposits is not counted as part of the banks "total net cash outflows". In other words, by imposing a 31 day notice period for the early withdrawal of term deposits, our bank is able to reduce the value of high quality liquid assets they need to hold under the Basel III Liquidity Reforms.

A recent review of the term deposits offered by the major Australian banks has indicated that they are all requiring 31 days' notice in respect of the early withdrawal of term deposits. One bank did provide an exemption to the 31 day notice period where early withdrawal was required as a result of financial hardship. However, to satisfy this exemption, the bank concerned would assess the depositor's circumstances to ensure financial hardship existed.

To help you navigate the changes since 1 January 2015, speak to us today.

Source | Peter Kelly
Centrepoint Alliance

A STORY ABOUT THE IMPORTANCE OF INSURANCE

If you are like most Australians, insurance is one of those things which can be put off for another day. But another day might be one too late – the story of John outlines how important it is to have the right insurance.

John was a fit and healthy single 53 year old who had just started his own bookkeeping business. One weekend he was hosting a Christmas in July party where everyone was enjoying themselves. Later in the evening he started bumping into things and slurring his speech. Thinking he had drunk too much, his friends put him to bed. The next morning when he couldn't get up he called an ambulance.

It turned out John had a stroke which was caused by bowel cancer. After fighting for his life for the first couple of days, he started on the slow path to recovery which included chemotherapy, physiotherapy, speech therapy and psychotherapy. He had multiple surgeries to remove the cancer and had limited use of his left side.

During this already stressful time of dealing with health issues, John started having money problems. Because he had just started up his business, he had limited savings. While he was in hospital there was no one to work in the business so he had no income coming in.

John did have trauma insurance, but he was not very good at maintaining the payments, so there was a question as to whether he was eligible for disability payments. While his friends and family were trying to sort out his financial mess, the rent on John's house became overdue. With no alternative, they had to move his possessions into storage. They also had to close down his business.

Luckily John did have income protection insurance through his superannuation. He had opted for the 90 day waiting period which meant that although he didn't get immediate help with his rent and bills, he was able to get a regular monthly income before he came out of rehabilitation hospital.

WHAT DID JOHN LEARN?

The good news is that two years on, John is back working as an office manager for a small business. He is now cancer free and even with slight disabilities, he has a new lease on life.

Unfortunately hindsight is always 20/20, and looking back John wishes that he had put better insurance in place. As he couldn't get sick pay from a regular full time job, he should have had insurance which could have filled the financial gap, which meant he could have kept renting his house.

COULD YOU FACE A GAP?

Most people don't understand the need for the right insurance until a friend or family goes through a serious illness or death, when the reality of not having a safety net hits home. What will you or your family do if you can't earn a living? Would you have enough money to cover the mortgage or the rent?

WHAT IF SOMETHING HAPPENS?	*WHICH INSURANCE WILL HELP?*	*HOW WILL IT HELP?*
You become unwell or injured and can't work	Income protection insurance	Helps to cover your income by replacing your lost earnings
You suffer one of a number of specified medical conditions	Trauma insurance	Provides a lump sum to help deal with medical and rehabilitation costs
You pass away	Life insurance	Provides a lump sum payment to your family which will help them deal with their financial situation
You become permanently disabled	Total and Permanent Disability insurance	Pays you a lump sum as you are unable to work any more
You become totally or partially disabled and you have your own business	Total and Permanent Disability insurance	Pays you a lump sum as you are unable to work any more

CAN YOU RECOGNISE THE SIGNS OF A STROKE?

One of the things which would have helped to speed John's recovery was if his friends had spotted the signs of a stroke. If you think someone is having a stroke, use the FAST test which involves asking the following simple questions:

- ***FACE*** - Check their face. Has their mouth drooped?
- ***ARM*** - Can they lift both arms?
- ***SPEECH*** - Is their speech slurred? Do they understand you?
- ***TIME*** - Is critical. If you see any of these signs call 000 straight away.

For more information visit the National Stroke Foundation's website (strokefoundation.com.au).

TALK WITH YOUR ADVISER ABOUT HOW TO PLAN FOR THE FUTURE IF THE WORST DOES OCCUR.

Source | IOOF

AGE PENSION Movement

For a person in receipt of a part rate Age Pension – as a result of their assets and their income being above the applicable thresholds – understanding the pension they are being paid and working out whether it is correct can sometimes be a hit and miss process.

The asset and income thresholds which affect your pension entitlement are adjusted every year on 1 July. The age pension itself is increased in March and again in September every year.

If you have money invested in shares or managed funds, the asset value of these are also adjusted automatically every year in March and September. Depending on the movement in the official interest rates the deemed rate of interest which would be applied to a pensioner's financial assets could also be adjusted at least twice a year.

Five to seven of these movements are automatic reviews carried out by Centrelink at the push of a button.

These automatic reviews do not take into account a change in a pensioner's circumstances, which they are required to report to Centrelink within 14 days. It is no wonder a large section of the pension community are confused about their correct entitlement and I would suggest a fairly substantial number are receiving the incorrect entitlement.

As a pensioner, if you are concerned about your entitlement and don't fully understand the letters that you receive from either Centrelink or Veterans Affairs, you definitely need to talk to someone who specialises in this type of advice. You do not want to find yourself in a position of being underpaid or even worse, overpaid.

Source | Mark Teale
Centrepoint Alliance

I hope you have had a good start to 2015. We are excited about the prospect of what this year will bring. We have enjoyed a few years of healthy returns and believe this year will be no different.

This quarter we will learn why the banks need at least a month's notice before you can take your money from a term deposit. We also look at the importance of insurance and what the different types of life insurance cover. It's important to make sure you have the correct cover and that you have the levels that will protect you and your family effectively in the event of death, accident or illness.

Recently the West Australian has expanded their Monday 'Your Money' section to a regular, 4 page colour lift-out. If you have not had a chance to read it recently you would have missed the articles that I have written and featured in.

In the February 8th edition I addressed protecting our futures by ensuring sufficient insurances are in place for my daughters Michela & Madeleine, in case something goes wrong. In the February 16th edition I discussed the difference among financial planners in Australia. If you'd like to discuss any of the topics that feature in these articles or would like an electronic copy sent to you, please do not hesitate to call our office on 08 9322 1882.

Best wishes for 2015!

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