Switzer Super Report

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What fiscal cliff?

The fiscal cliff is concerning me less and less each day and the markets are also moving on. Aussie stocks are at their highest levels for the year and the Dow is inching higher as well. And with the outlook for 2013 looking good, I'm feeling bullish and I've got 10 reasons why in today's report.

Also in the *Switzer Super Report*, JP Goldman tells us why things are looking good for the US market in 2013, plus we have analysis on Myer and David Jones ahead of the Christmas shopping season and a special feature on why Commonwealth Bank is priced at a premium. Enjoy!

Sincerely,

Peter Switzer

Inside this Issue

Special feature: CBA still the most reliable bank
by Rudi Filapek-Vandyck
06

02 **Ten reasons why I'm bullish on 2013**
by Peter Switzer
It's lining up to be a good year for stocks.

04 **A Merry Christmas for Myer and DJs?**
by James Dunn
Can Christmas sales bring back the joy?

06 **Special feature: CBA still the most reliable bank**
by Rudi Filapek-Vandyck
Why the shares are at a premium.

10 **The US market is due for a burst**
by JP Goldman
And investors are moving ahead in preparation.

12 **Question of the week: buying property for retirement**
by Paul Rickard
Our administrator has raised a red flag.

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Ten reasons why I'm bullish on 2013

by Peter Switzer

I'm bullish again for stocks next year and one of the reasons is that so many wise guys are telling me that the cash rate is going down to 2%! There are other reasons, but this is a huge one.

Sure, I know there is the usual list of Doomsday merchants out there tipping economic and market Armageddon or 'Apocalypse Dow', but I think 2013 will be good for risk assets – a point the Australian Financial Review's Christopher Joye made on my *Switzer* program this week on the Sky News Business channel.

And remember, Joye is generally a 'bond' guy (given the fund he has put together with Mark Bouris at Yellow Brick Road) and bond's aren't considered 'risk' assets.

But there are other reasons for my bullishness.

First; I expect the fiscal cliff to be dealt with and I really hope the solution is as soft as it can be because a plan that's too austere will hurt US growth and then stocks.

Second; the likes of Bank of America Merrill Lynch have tipped a 10% rise in stocks next year and others are in the same ballpark. JPMorgan Chase thinks the Yanks are in a secular bull market that kicked off in March 2009 and has a few years to run. They have the S&P 500 heading up 13% next year to 1,580.

Third; US Federal Reserve boss Ben Bernanke has said he will keep interest rates low until unemployment hits 6.5%, but that would only be the start of the tightening cycle. At other times he has said rates will remain low until 2014.

Fourth; the Fed plans to keep buying Treasuries and mortgage-backed bonds, which will keep long-term interest rates down and in turn keep the housing recovery going.

Fifth; China's economy isn't heading for a hard landing as the Doomsday merchants wrongly predicted.

Sixth; Europe's bond yields for governments such as Spain and Italy have fallen to acceptable levels.

Seventh; ASEAN economies are to head back to pre-GFC growth rates.

Eighth; US companies have really good balance sheets, little debt and plenty of cash to invest and so all they need is a better set of local and overseas circumstances to see investment take off to offset tougher fiscal settings and create more jobs.

Ninth; the internet and globalisation will keep inflation in check for some time, which will keep interest rates low and this has to be good for stocks. And even when inflation rises, it will hurt the bond market, which in turn will make stocks look more attractive.

Tenth; a number of serious economists are telling me that the local cash rate is going to fall to 2%! If this happens, the dollar will fall, consumers will start spending, business investment will restart and local companies will see profits pick up – which will help stocks.

Also, the more the term deposit rate falls, the more investors will make a beeline for the stock market and dividend stocks will be the target.

How low will rates go?

I'm not sure if I believe the 2% story but it wouldn't worry me because I believe inflation is now in a lower zone. Terry McCrann in The Weekend Australian last week argued that a 3% cash rate is the "new 4%"

because the banks haven't been passing on the full rate cuts.

Ordinarily I would worry about a 2% or 3% cash rate, but if inflation is going lower for longer, then it's a new paradigm.

Downwards pressure on prices is evident. Just overnight Ruslan Kogan announced a plan to slash mobile phone charges. This is the guy who sells TVs and other electricals online, but he is only one in millions of businesses around the world lowering prices via the internet.

This globalised price competition will increase unemployment in countries like Australia, reducing wage cost pressure and then inflation.

We are even seeing Liquefied Natural Gas projects put downward pressure on oil prices and the Yanks are going to be heading towards self-sufficiency for energy requirements – this will help other business worldwide, which should see costs fall. Again this works against inflation.

I hope good sense prevails on Capitol Hill so there is no early January fiscal-cliff curve ball to deal with because I see 2013 as a great year waiting to happen provided global politicians can get it right and overcome their self-interest.

Unfortunately, as we have seen in Italy with Silvio Berlusconi's comeback and Mario Monti's resignation, politicians have trouble dealing with 'self-interest'.

As Paul Keating once observed: "In the race of life, always back self-interest – at least you know it's trying!"

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A Merry Christmas for Myer and DJs?

by James Dunn

If it's Christmas, the advertising blitz is driving us crazy, the weather is warming up, the year is rushing to an end, the family demands are starting to wear a bit thin – and the tills are singing at Myer and David Jones.

Or are they?

The Christmas and New Year sales are the most important time of the year for retailers: traditionally up to 25% of their yearly earnings is generated at this time.

Retailers are counting on Christmas to redress the effects of a constant battering of consumer confidence at the hands of the global economic outlook, cost of living pressures, the pressure to pay down household debt, the lack of the 'wealth effect' that flows from rising house prices, rising fuel and electricity prices and general economic uncertainty.

They are also fighting the increasing propensity of Australians to shop online from overseas websites, lured by cheaper prices, unprecedented purchasing power via the high Australian dollar and no GST.

The retailers have some reasons to be optimistic going into Christmas 2012: wages growth is solid, house prices are stabilising, and consumer confidence has picked up. Even more importantly, the Reserve Bank has lopped 1.25 percentage points from official interest rates since last Christmas, meaning that mortgage rates are about one full percentage point lower than at this time last year. This should increase disposable income from last year.

A recent Commonwealth Bank survey projects Australians spending up to $16.2 billion this festive season. With people budgeting on average $475 for presents, according to the survey – down $10 on last year – an estimated $7.8 billion will be spent on presents alone.

And boy, do the retailers need it.

Myer vs David Jones

Take Myer, which had what it described as a "solid" year in the 2011-12 financial year, with sales down 1.3% to $3.1 billion, and net profit down 12.7% to $139.4 million.

Given the tough environment for retail, the company did a magnificent job of extracting more profit from its sales – it lifted gross profit margin by 1.05 percentage points to 41.31%. But Myer – sensibly – didn't give any earnings guidance for the coming year. Chief executive Bernie Brookes expects the current quarter, which includes the crucial Christmas and Boxing Day sales period, to be "flat".

Myer's arch-rival David Jones reported a 4.8% fall in sales for FY2011-12 to $1.87 billion, and a net profit drop of 40% to $101.1 million. David Jones didn't do as well on the margin front as Myer: its gross profit margin slipped badly to 37.5%, well below the company's preferred 39.5-40% range.

But department store heavyweights are seeing some tiny chunks of light at the end of the tunnel. In the first quarter of the current financial year, Myer reported a 1% increase in sales, while DJs had its first quarter of sales growth in two years.

Shares struggling

But the simple fact is that the shares have been hammered.

Myer, notoriously, has struggled on the market since its $2.2 billion float in November 2009. Sold through

the prospectus at $4.10, Myer shares opened on the market at $3.88 and have never traded above the issue price – the best that shareholders have done is a peak of $3.96 in September 2010. In June this year the stock touched a low of $1.61, but it has at least recovered to $2.18.

Myer has been a good performer this year, but has lost about 8.3% a year over three years.

DJS has managed to keep its head above water in 2012 – starting the year at $2.37, recovering from a June low of $2.12 to be at $2.50 at time of writing – but the stock has lost more than 17% a year over the last three years.

The bottom line for these two corporate icons is that the investment case to hold them in a SMSF is simply not convincing.

Myer vs David Jones share price performance

Beware the value trap

At $2.18, Myer is trading on an historical yield of 8.71%. For an SMSF in accumulation mode, paying 15% tax, that equates to about 10.6%. If the fund is in pension mode, that yield is about 12.4%.

At $2.50, David Jones is trading on an historical yield of 7%. For an SMSF in accumulation mode, paying 15 per cent tax, that equates to about 8.5%. If the fund is in pension mode, that yield is about 9.9%.

Myer is expected (by the market consensus forecast) to cut its dividend from 19 cents in FY2012 to 18.2 cents in FY2013 and 17.9 cents in FY2014. That would make the yield for FY2013 come to 8.35% (nominal); 10.16% (SMSF accumulation mode); and 11.86% (SMSF pension mode). For FY2014, the yields would be 8.21% (nominal); 10% (accumulation); and 11.7% (pension).

That is undeniably attractive. But it also looks like the classic value trap – where it is the market pessimism (that is, the depressed share price) that is creating the high yields. And in neither stock is the earnings or dividend outlook pointing in the right direction.

David Jones is also expected by the market consensus to lower its dividend, from 17.5 cents a share in FY2012 to 16.8 cents in FY2013 and 16 cents in FY2014. At the current share price, for FY2013 you would be looking at a yield of 6.72% (nominal); 8.18% (SMSF accumulation mode); and 9.54% (SMSF pension mode). For FY2014 the yields would be 6.40% (nominal); 7.79% (accumulation); and 9.09% (pension).

Again, those are attractive yields – but falling earnings and dividends is not the situation you want to see. Myer CEO Bernie Brookes and his DJs counterpart Paul Zahra are fighting the good fight against some pretty strong headwinds, but neither Myer nor David Jones belongs in your fund's Christmas stocking.

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Special feature: CBA still the most reliable bank

by Rudi Filapek-Vandyck

Shares in Commonwealth Bank (CBA) are back to price levels last seen in late October 2007 when the Australian share market peaked at 6,792.10, some 32% higher than where the ASX200 index is today and that is, for obvious reasons, attracting quite some attention around family BBQs and elsewhere.

Long-term investors in the sector know the real news was already achieved in late 2011 because that's when CommBank shares had fully recovered all losses endured during the 2008 share market meltdown (as measured from the late 2007 peak). Two other banks, ANZ Bank (ANZ) and Westpac (WBC) – in that order of chronology – joined Commbank during the rally of 2012.

So far, National Australia Bank (NAB) has not managed to fully recover from its currency trading scandal at the beginning of the last decade, plus NAB is still carrying the scars from ill-advised expansions into the US and in the UK. It has made NAB over the past ten years the eternal laggard in the sector; always a smidgen cheaper than its three peers, but never been able to close the valuation gap on a sustainable basis. On the other hand, NAB has still outperformed Australia's regional lenders, Bank of Queensland (BOQ) and Bendigo and Adelaide Bank (BEN). So there's a clear ranking order inside the Australian banking sector and the GFC has simply reinforced the differences in risk profiles and quality franchises.

The point to stress: CommBank sits on top. This is why, when things get really hairy, less money flows out of CommBank shares and this is also why CommBank shareholders have been the first to see all GFC-induced losses disappear.

The value

But the real value for long-term investors is not expressed through the (relatively minor) differences between the major banks in Australia, but between the banks and the rest of the share market. Most other stocks listed on the ASX still have a fair amount of work to do before their shareholders have fully recouped the capital losses endured post-2007. The banks (three of them), as noted earlier, are now generating positive returns when measured from the peak, and CommBank shareholders have been enjoying more gains than others.

The real surprise, no doubt, is that Australian banks' outperformance has been achieved on the back of rather low growth. Whereas earnings for shareholders used to grow at 20% per annum during the lead up to the 2007 peak, the 'new normal' has seen rather tepid growth since. One thing hasn't changed and that is that Australian banks are very reliable, solid dividend payers. It is these continuously growing streams of dividends to shareholders that contributed to bank shares' popularity pre-2008, it is these same dividends that have turned Australian banks into shareholder champions in the post-2008 years.

The table below shows dividend payouts to CommBank shareholders over the past seven years. As anyone can see, there has only been one single, temporary interruption at the height of the GFC turmoil in the long established trend of growing dividends for shareholders:

CBA							
2006	2007	2008	2009	2010	2011	2012	Fin Year
224	256	266	228	290	320	334	DPS
13.706	14.286	3.906	-14.286	27.193	10.345	4.375	growth %

Paying dividends

There is one very important lesson for investors in this tale: ignore the virtue of dividends at your own peril. Share prices can slump or move sideways for an extended period of time, but dividends, once

received, do not disappear regardless of what happens to the share price. Australian banks are among the highest and most reliable dividend payers in the world. When things get really tough this is all that matters to investors. And Commbank, those same investors have decided, is simply the best among the best.

Regarding those dividends, here are a few facts long-term investors might want to take into consideration:

- If one was able to purchase CommBank shares at their low point during the GFC, today's dividend yield would be no less than 13.9% (and fully franked too).
- CommBank shares have paid out approximately 32% in cash dividends over the past five years (2008-2012).
- Westpac has proved the best dividend payer post-2007 with the shares paying out 40% since 2008 (but its total return has not kept up with CBA's).

But is it sustainable?

Banks' dividends might be sacred among long standing loyal shareholders, but they are by no means 100% risk free. One of the 'tricks' Australian banks have used in the post-GFC era is to gradually lift their payout ratio so that dividends have still grown relatively strongly while cash and earnings have not. Anyone can see this is not a sustainable method to keep shareholders happy. Sooner rather than later, profits will have to start growing faster or the banks risk having to disappoint shareholders expectations.

Below are consensus expectations for CommBank this year and next:

CBA market consensus forecasts

	FY11 Actual	FY12 Actual	FY13 Forecast	FY14 Forecast
EPS (cps)	442.4	449.4	445.7	459.4
DPS (cps):	320.0	334.0	344.2	357.2
EPS Growth	N/A	1.6%	- 0.8%	3.1%
DPS Growth	N/A	4.4%	3.0%	3.8%
PE Ratio	N/A	N/A	13.7	13.3
Dividend Yield	N/A	N/A	5.7%	5.9%
Div Pay Ratio(%)	72.3%	74.3%	77.2%	77.8%

All calculations by FNArena

The good news is that a re-balancing in the Australian economy (as currently targeted by the Reserve Bank of Australia) should benefit the banks. Australia may be a resources intensive economy, the banks' exposure is much more skewed towards the non-resources part of the economy and that is the part that has been struggling with recession-like circumstances in years past. This is an important factor behind the rather tepid growth pace in bank lending in years past.

Outlook for the banks

The flipside is that ongoing tough conditions for large parts of the Australian economy still have the potential to trigger more bad news stories for banks as companies are still calling in administrators or going bankrupt. Mortgage stress may well rise in the short term despite falling interest rates, as Australia's unemployment rate is widely expected to rise in the year ahead.

Those side-effects always arrive with a lag so don't be surprised if the banks will be confronted with more bad news from the domestic market, depending on how smoothly the economy's re-balancing process develops in the year(s) ahead. Investors should note, the banks are only benefiting slightly from RBA rate cuts because of fierce competition for bank deposits and this is why they are not passing on full rate cuts to mortgage holders (they would not benefit at all otherwise). On top of this, it would appear growth drivers in key lending segments (business loans, personal loans and credit cards) are decelerating in 2012 while overall cash generation is no longer what it used to be for Australian banks.

Offsetting these threats are ongoing cost cutting programs which should assist banks in retaining the image of solid, non-spectacular but reliable dividend

payers. What could possibly spoil this image is when impairment charges turn out worse than anticipated. Analysts at Macquarie recently highlighted that write-offs by Australian banks have exceeded provisions for several years now, eventually this can lead to banks being forced to top up their provisions. On Macquarie's calculations current provisions should suffice for two more years. By then this trend can no longer continue without financial consequences.

Bank shares not cheap

Making matters a little more tricky is that valuations for bank shares have now risen to their highest point post-2008. Arguably, this makes bank shares more sensitive to increases in loan losses should they eventuate (and they probably will). It is here that CommBank's embedded sector premium might prove an extra burden as CommBank shares are relative to the rest of the sector by far the most expensively priced. CommBank also has more exposure to the domestic economy than peers like ANZ Bank and National Australia Bank.

But while bank share prices are far from 'cheap' and short-term risks for negative surprises have arguably risen (a lot), many analysts covering the sector are predicting that positive surprises for shareholders are forthcoming in the form of capital management initiatives, which likely include buying in own shares and paying out special dividends. The general view is that from FY2014 onwards, when Australian banks sit comfortably within limits set by international Basel III financial standards, boards will increasingly seek to use excess cash to extra-reward shareholders and create additional value.

Continued rewards?

Assuming this scenario plays out as expected, Westpac and CommBank appear best placed in the sector to offer additional rewards for shareholders through capital management initiatives. This, I would argue, completes the circle that is banks' returns for investors. There's no realistic prospect for the resumption of rampant growth in the foreseeable future, but it is the Australian banks capability to continue rewarding shareholders through growing dividends or otherwise that will prove vital in the years ahead, even if risks for negative developments have risen in the short term.

The table below shows total returns for the four major banks in Australia for each calendar year post-2007:

Bank	share price performance	Dividends	div %	Total Return
CBA				
2008	-33.65%	2.66	6%	-27.55%
2009	89.86%	2.28	8%	97.75%
2010	-7.47%	2.9	5%	-2.19%
2011	-3.05%	3.2	6%	3.25%
2012	24.10%	3.34	7%	30.88%
NAB				
2008	-44.77%	1.94	5%	-39.64%
2009	31.29%	1.46	7%	38.28%
2010	-13.50%	1.52	6%	-7.96%
2011	-1.43%	1.72	7%	5.82%
2012	4.07%	1.8	8%	11.77%
WBC				
2008	-39.22%	1.42	5%	-34.13%
2009	49.09%	1.16	7%	55.92%
2010	-12.21%	1.39	5%	-6.72%
2011	-9.95%	1.56	7%	-2.93%
2012	27.90%	1.66	8%	36.20%
ANZ				
2008	-44.32%	1.36	5%	-39.37%
2009	49.71%	1.02	7%	56.38%
2010	2.01%	1.26	6%	7.51%
2011	-12.08%	1.4	6%	-6.08%
2012	20.41%	1.45	7%	27.47%

As the table above shows, CommBank shares are not always the best performer in the sector, but they certainly have proved to be the most consistent performer. That's why they are trading at a sector premium, and deservedly so.

Investors should always consider weaknesses and strengths when assessing investment opportunities. In the case of Australia's big four banks, CommBank shares in particular, I believe these are:

Potential weaknesses: more softness in the Australian economy can lead to more bad debts and mortgage stress; growth in earnings is likely to remain lackluster and dividend payout ratios are already well above historical averages; valuations are higher than at any other time post-2008; and growth in dividends already is slowing down.

Potential strengths: solid, highly reliable payers of attractive dividends; the years post 2013 are likely to see capital management initiatives (and thus extra shareholder benefits); dividend growth is likely to decelerate, but growth should still be on the horizon.

The bottom line

Long-term investors looking for a relatively low(er) risk opportunity shouldn't chase when the herd is doing exactly that. Buy CommBank at cheaper levels instead and concentrate on dividends. Keep for the long term and expect positive surprises on top of income/yield.

Trivia: Macquarie analysts recently went through all kinds of impairment scenarios for the next few years. Depending on how severe this problem turns out to be, the impact on banks' profits and dividends from having to replenish provisions to cover bad loans can vary between mild and severe. However, no matter what scenario was being tested and calculated, CommBank always came out on top as the least impacted, while NAB always came fourth.

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The US market is due for a burst

by JP Goldman

Although global investors appear worried about America's so-called 'fiscal cliff', Wall Street is proceeding on the basis that common sense will ultimately prevail and that Washington will manage to strike an 11th hour compromise.

Indeed, the US S&P 500 index has bounced back 5% in recent weeks, largely recovering half the decline in market since mid-September. At this stage, the US market remains in a firm uptrend, and the latest market pull-back appears just another healthy correction.

Wall Street's resilience is good news for global risk markets as it is one of the best leading economic indicators around. It suggests the US economy is unlikely to stumble into another recession anytime soon.

Note, moreover, the US market has outperformed our own for the past few years, and those wanting some exposure to the market have several locally-listed exchange-traded funds to choose from in order to take advantage of that growth.

There's Vanguard's total US market ETF (ASX code VTS), for example, and it charges an annual management fee of only 0.06%.

Growth outlook

What's more, there are grounds to believe the consensus view that America will only grind out modest growth in the next few years could be wrong.

For starters, the US housing market is clearly on the rebound with the availability of affordable housing at multi-decade highs, home building at the lowest level since the early 1960s (despite a much larger population today), which in turn has helped bring the previous glut over homes on the market down to more usual levels. Once the US housing market turns, it can provide a powerful contribution to US economic growth.

America is also undergoing a positive supply shock caused by new technologies that are allowing the exploitation of previously hard-to-tap reserves of oil and natural gas found in deep underground rocks formations. The 'shale oil' boom has already cut the price of gas for American consumers and business and promises to turn America from a major energy importer to net exporter.

Cheap energy combined with a cheap currency is helping the US manufacturing sector. Indeed, a number of US firms have recently announced some 'on shoring' of manufacturing production back from China – as, along with America's cheap currency, China is also starting to lose some relative cost competitiveness due to rising wages, environmental regulations, and failures to respect intellectual property.

As for exports, while America's European export market still remains sluggish, growth prospects in emerging markets – from Asia to Latin America – remain more positive. And corporate America also continues to benefit from strong internationally recognised brand names and expert management. Home to companies such as Apple, Google, eBay and Amazon, the US also remains the centre of the global technology revolution.

History also suggests America's recovery should soon pick up a notch. US recessions usually last less than a year, and recoveries tend to be stronger the deeper the recession. Following a financial crisis, – as in the late 1800s, the early 1930s and arguably the early 1990s – recessions can last longer and recoveries are more muted.

But even after a financial crisis, the US economy has usually managed to start achieving solid growth by around five years from its previous peak. On the back of the very deep recession in 2009, the US economy looks likely to grow by around 2.2% this year, following growth of 2.4% and 1.8% in 2010 and 2011, respectively.

This marks the third year in a row since the global financial crisis that growth has been not much better than trend. So by historical standards, that suggests America could be overdue for a burst of above-trend economic growth and the markets will lead the way.

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Question of the week: buying property for retirement

by Paul Rickard

Q*: There has been much commentary of late about the philosophy of purchasing a dwelling through your SMSF and later acquiring it as a retirement abode. Having a positive sense of a reasonable strategy citing investment diversification, the aspects of purchasing an 'off-the-plan' apartment at today's value and CGT advantages in pension phase, the trustees of our fund decided on a site and are making moves toward a commitment to purchase. Then a rather large red flag appeared. Our SMSF administrator, although being very careful to point out that their opinion was not 'financial advice' as such, suggested that this strategy is not necessarily legal and to seek urgent advice before proceeding further. We are well versed in the current regulations about personal use of an SMSF asset, arms-length transactions on sale, non recourse loans and trust setup using a registered company for purchase. Are there other hidden risks to the strategy, apart from the prospective rule changes that the Government may introduce in the future, that may scuttle our plans? My partner and I would hate to be in the position of not being able to procure the property after my retirement in four years time at age 60.*

A: When someone is waving the red flag, you are right to be concerned and obtain a second opinion. That said, I can't see anything wrong with the strategy – provided you pay strict attention to the rules you have identified – correct structuring of the limited recourse loan, no personal use of SMSF assets and an 'arm's length' transaction on sale. There are going to be some transaction costs (including stamp duty), and the Government may change the rules down the track. While I think the latter is unlikely, these are considerations you will need to weigh up.

In relation to the purchase of an 'off the plan apartment' and a limited recourse borrowing arrangement (LRBA), the ATO has ruled that this is an allowable style of transaction because it involves a single legal title. You can make the deposit upfront using monies in your SMSF and then fund some or all of the balance (depending on how much your bank will advance) using an LBRA. The key here is to make sure it is correctly structured.

I am sensing that your SMSF administrator may be concerned about you (as individuals) purchasing the property from your SMSF. While your fund can't generally acquire assets from the members or related parties, there is no provision the other way around, provided it is done on an arm's-length basis. The points you need to consider are:

1. You should carefully check your SMSF's trust deed. Some older deeds prohibited the transfer of assets between the fund and related parties – so you should confirm that this is allowed;
2. The sale (post retirement) from your fund will generally be subject to stamp duty (there are some concessions in some states for retirees); and
3. Critically, the sale must be on an 'arm's-length basis. The 'sole purpose' of your SMSF is to provide retirement benefits for the members, so any sale at less than market value would be to the detriment of the members' retirement benefits and breach the sole purpose test of the SIS Act. To establish and validate market value, you may need to do more than just ask a real estate agent or two for a valuation – you should engage a professional valuer, or possibly even two valuers, to provide an assessment of the property's market value. Any valuations should be in writing and retained as key fund records.

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Did you know?

The *Switzer Super Report* makes a great Christmas gift for someone with a self-managed super fund!

Call us today on 1300 794 893 and we can set up a gift account for you and knock your Christmas shopping over in a couple of minutes.

Don't miss this!

On Tuesday, the Reserve Bank of Australia will be releasing the board minutes from the meeting at the beginning of December when it decided to cut another 25 percentage points off the benchmark interest rate to 3%.

Many economists are expecting further interest rate cuts in 2013 and the minutes will provide good clues to what the RBA board members are thinking.

Check our website on Tuesday for the news.