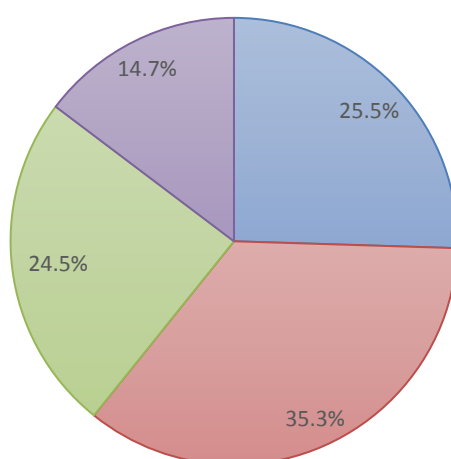


Midwinter Financial Services 2016 Federal Budget Survey

Below you will find the results to a survey conducted by Midwinter to gauge the sentiment of financial planners towards the latest Federal Budget (released last night) in particular the superannuation components. Accompanying the results is commentary from Managing Director of Midwinter – Julian Plummer.

C. The Budget will bring new planning opportunities for some planning businesses and be an administrative nightmare for others. Overall, what is your reaction to Budget 2016 in regards to your BUSINESS?

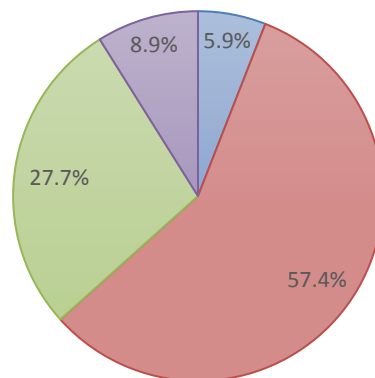


■ Positive ■ Negative ■ Indifferent ■ Unsure at this stage

A fair amount of advisers have expressed feelings of negativity towards the Federal Budget and how it will impact their businesses. This is predominately due to the increased administrative burden as well as training and business rules changes.

Around a 25% of advisers did see the Budget as a positive opportunity, as with complexity comes a need for advice. Planners with a strong strategic and technical background will rise to the top amidst these dramatic changes to super.

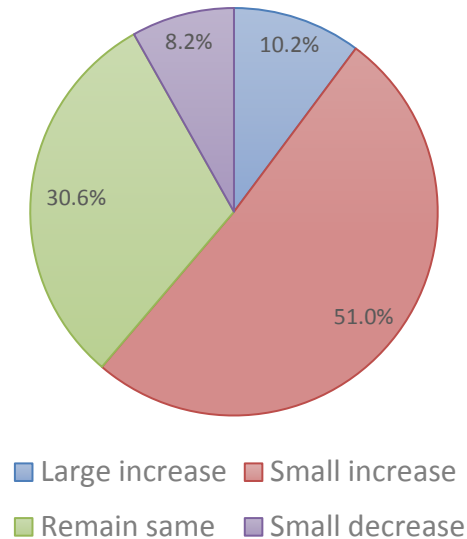
D. Overall, what is your reaction to Budget 2016 in regards to your CLIENTS?



- Positive – My clients will be better off
- Negative – My clients will be worse off
- Indifferent - Only a small amount of my clients will be impacted by the budget
- Unsure at this stage

The response from advisers was clear when it came to how these changes would affect their clients - with 57.4% of the individuals surveyed believing that 2016's federal budget would have an overall negative impact on them. Only 6.7% of planners surveyed were of the opinion that the budget would impact their clients positively.

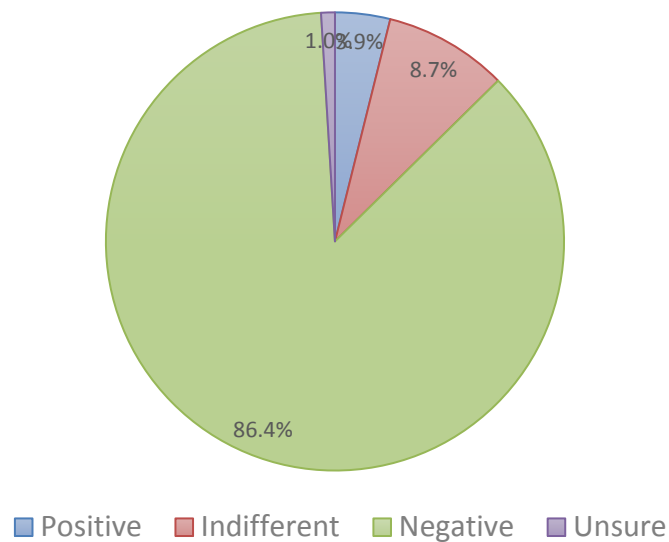
E. Increased complexity in superannuation may result in more demand for advice or turn people off superannuation altogether. How do you think Budget 2016 will impact the overall demand for financial advice?



The majority of advisers (51%) believe that the Budget will result in an increase in the demand for advice.

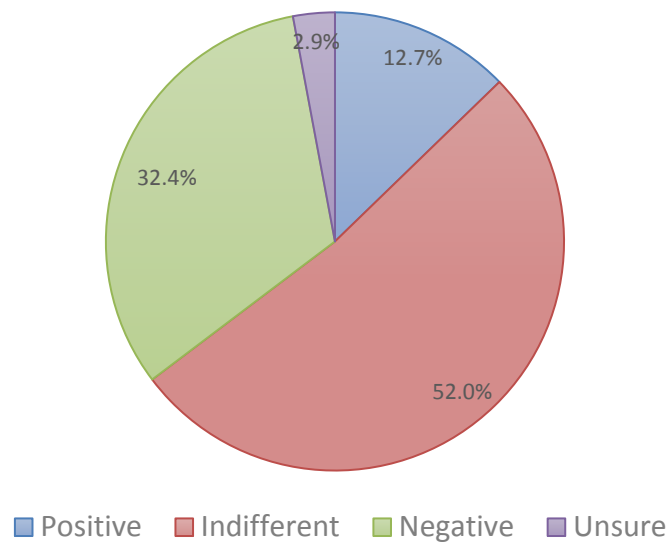
This outcome really highlights the value of advice at times of uncertainty. With much discussion around the onset of robo-advice, any robo-advisers would have a tough time wading through some of these complex changes to legislation. Now is a good time for advisers to be reaching out to their client base to let them know they are on top of the changes and how it impacts them.

F. From a planning perspective, how do you feel about the lowering of the concessional contributions cap to \$25,000?



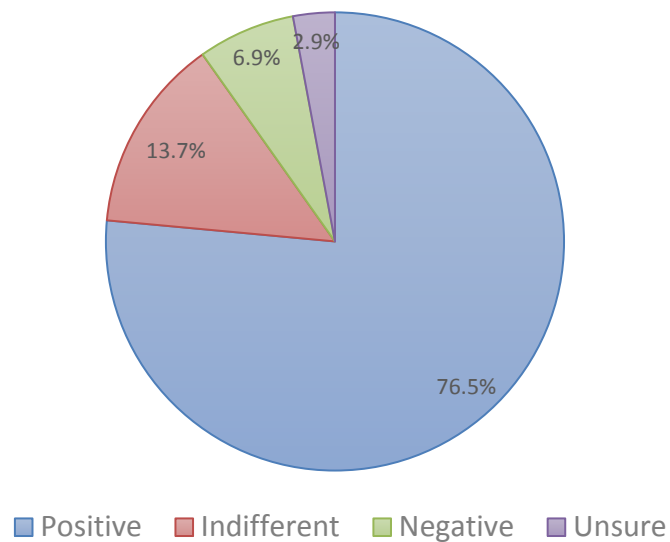
An overwhelming 86.4% of advisers came out against the lowering of concessional contributions to \$25,000. The feedback from advisers is that this is very disappointing, particularly when clients are hit with both the reduction in concessional caps and the reduction in the 15% threshold to \$250,000.

G. From a planning perspective, how do you feel about the reduction in the threshold from which an extra 15% tax applies on contribution to super, from \$300,000 to \$250,000?



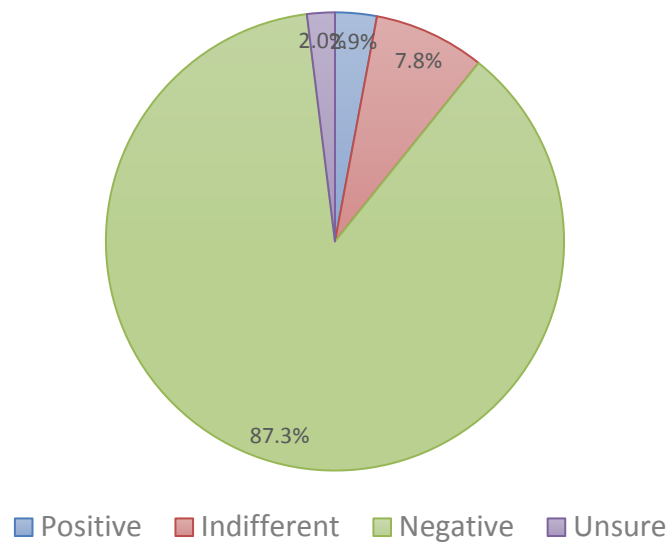
Surprisingly, planners remained largely indifferent to the changes in the reduction in the threshold from which an extra 15% tax applies on contribution to super, from \$300,000 to \$250,000.

H. From a planning perspective, how do you feel about introduction of the "catch-up concessional contributions" over a 5-year period?



According to advisers, the introduction of the "catch-up concessional contributions" over a 5-year period was the most positive change to come out of this year's Budget. 76.5% of advisers felt that the introduction of the catch-up concessional contributions would have positive impact from a planning perspective.

I. From a planning perspective, how do you feel about the lifetime cap for non-concessional contributions of \$500,000?

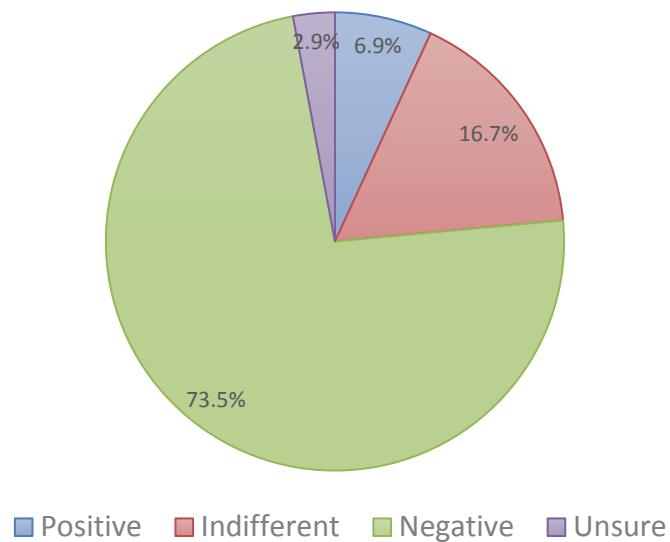


According to the survey, this was one of the most negatively received parts of the budget. Planners felt that the cap was far too low and potentially very onerous for some – indeed it was felt to be arguably unnecessary, given the \$1.6 million lifetime cap.

Other planners felt the retrospectivity element was particularly unfair and added significant complexity.

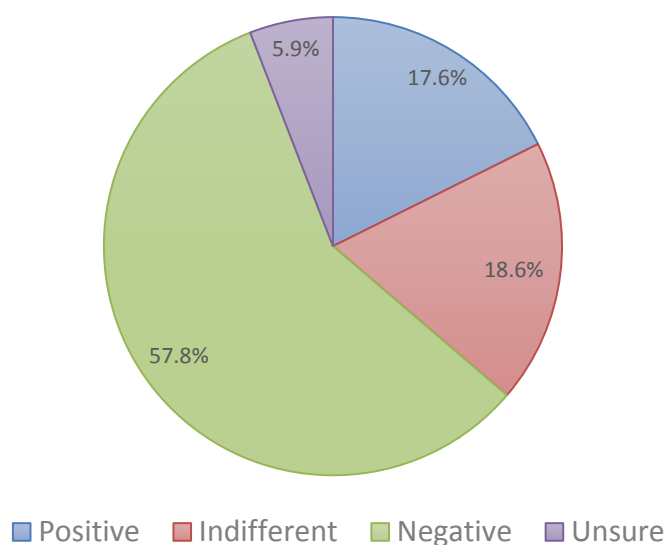
Interestingly, planners disregarded the notion that it was the \$1.6m cap would only have a minor impact on the proviso that it only affects a small amount of super fund members.

From a planning perspective, how do you feel about removal of tax exemption for fund earnings on TTR pensions?



The rejection of the removal of tax exemption for fund earnings on TTR pensions was evident with 73.5% of survey respondents expressing negativity towards these proposed legislative changes.

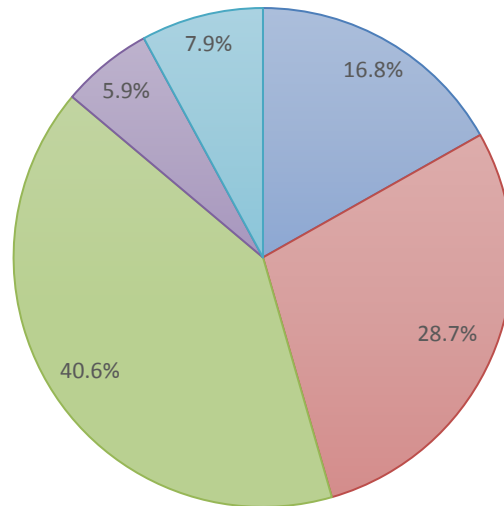
K. The Government is introducing a transfer balance cap of \$1.6m on super balances moving into tax-free retirement phase. Some pundits say this limits the capacity for Australians to save for retirement, others say it is a reasonable amount and should allow for a comfortable retirement... From a planning perspective how do you feel about the \$1.6m transfer balance cap?



The majority of advisers (57.8%) believed that the introduction of a transfer balance cap of \$1.6 million on amounts moving into the tax-free retirement phase would have a negative impact from a planning perspective. This is predominantly due to advisers believing that the thresholds limit the capacity for Australians to save for their own retirement, and the mooted retirement income of \$80,000 per annum is largely insufficient.

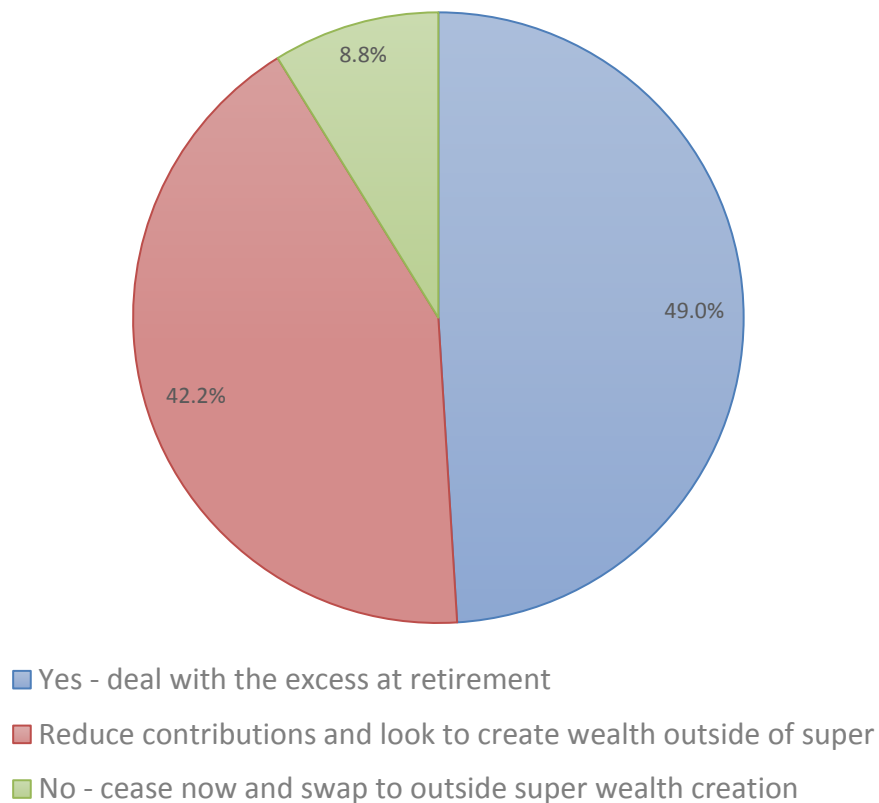
Advisers also believed that the \$1.6 cap would introduce a large amount of complexity into their client's financial circumstances and the refining the concessions for retirement phase could have been designed in a far more efficient manner.

L. SMSFs may face difficult strategic and administrative challenges as a result of the \$1.6m cap, but also continue to offer increased flexibility and control. What impact do you think the Budget will have on SMSFs?



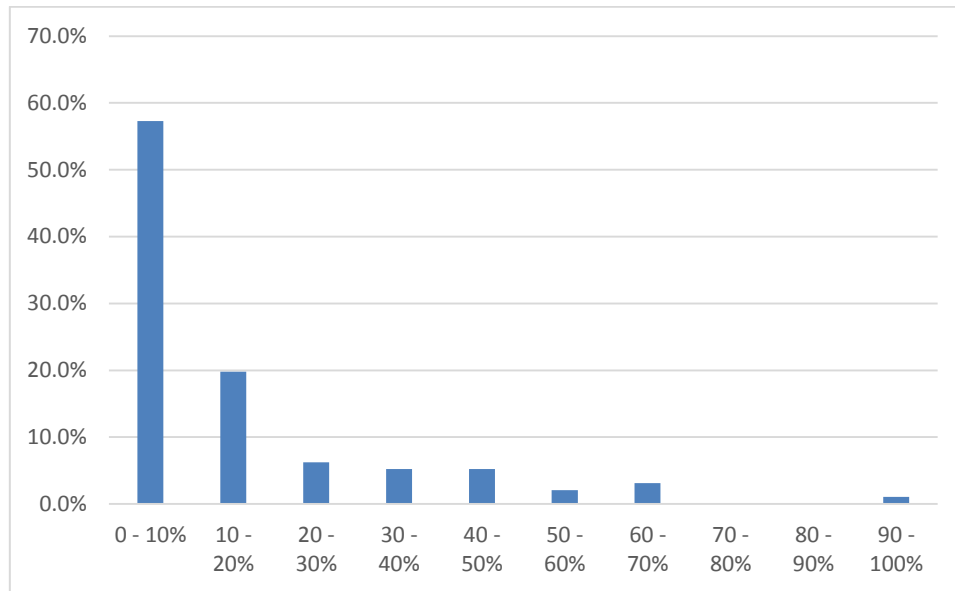
- SMSFs will INCREASE in popularity
- SMSFs will DECREASE in popularity
- No change in popularity
- I don't recommend SMSFs
- Unsure

M. If you have projected a client's wealth to be higher the \$1.6 cap at retirement - will you still recommend contributions and TTRs?

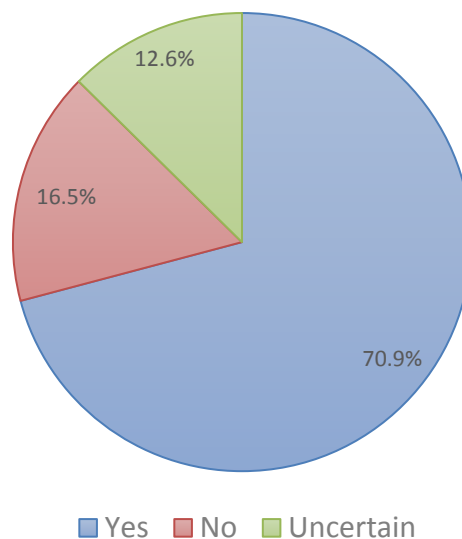


Advisers were torn between whether or not they would continue to recommend contributions and TTRs to their clients, or reduce and look for ways to maximise client's wealth outside of super.

N. What percentage of your client base will the \$1.6m cap have an IMMEDIATE impact on?

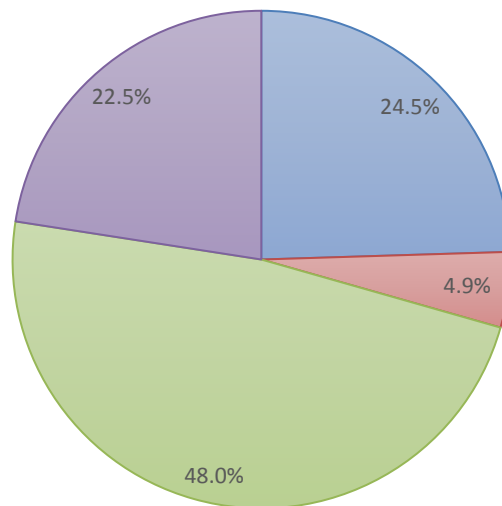


O. Do you intend to initiate client reviews for those clients immediately impacted by the \$1.6m cap?



It is action stations for advisers post the 2016 Budget, with 70.9% of surveyed advisers stating that the \$1.6m cap will provoke them to initiate client reviews with those immediately affected.

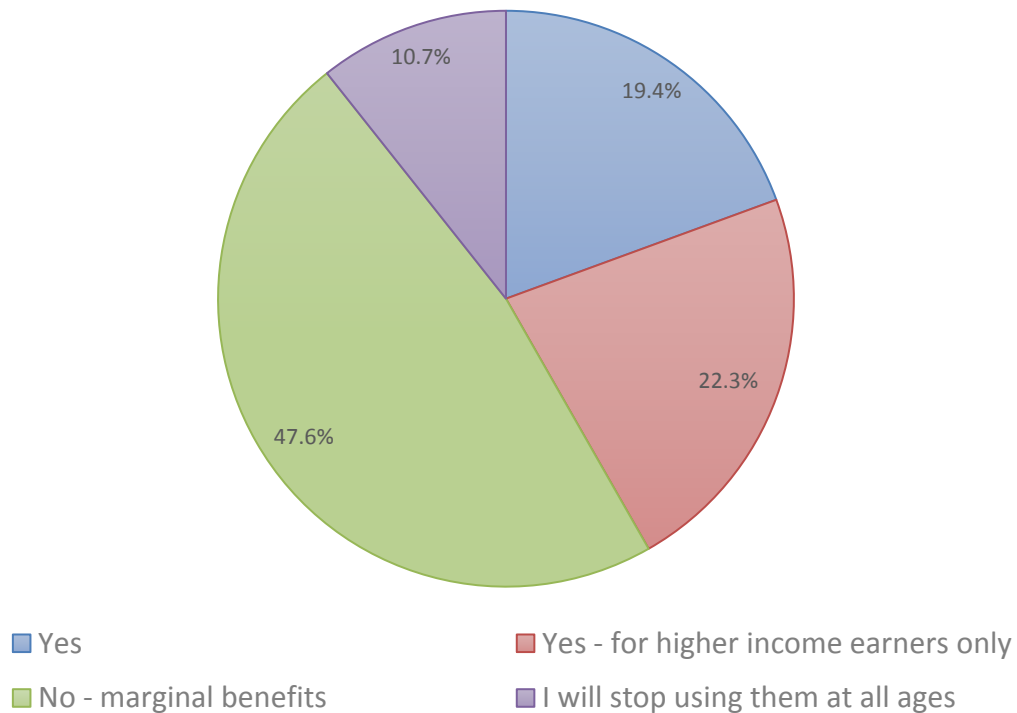
P. For your clients that come up against these proposed caps - do you think they will become more aggressive in their strategies or risk profiles to meet their retirement goals?



- Yes - requires more aggressive strategies
- Yes - requires higher risk profiles
- No
- Uncertain

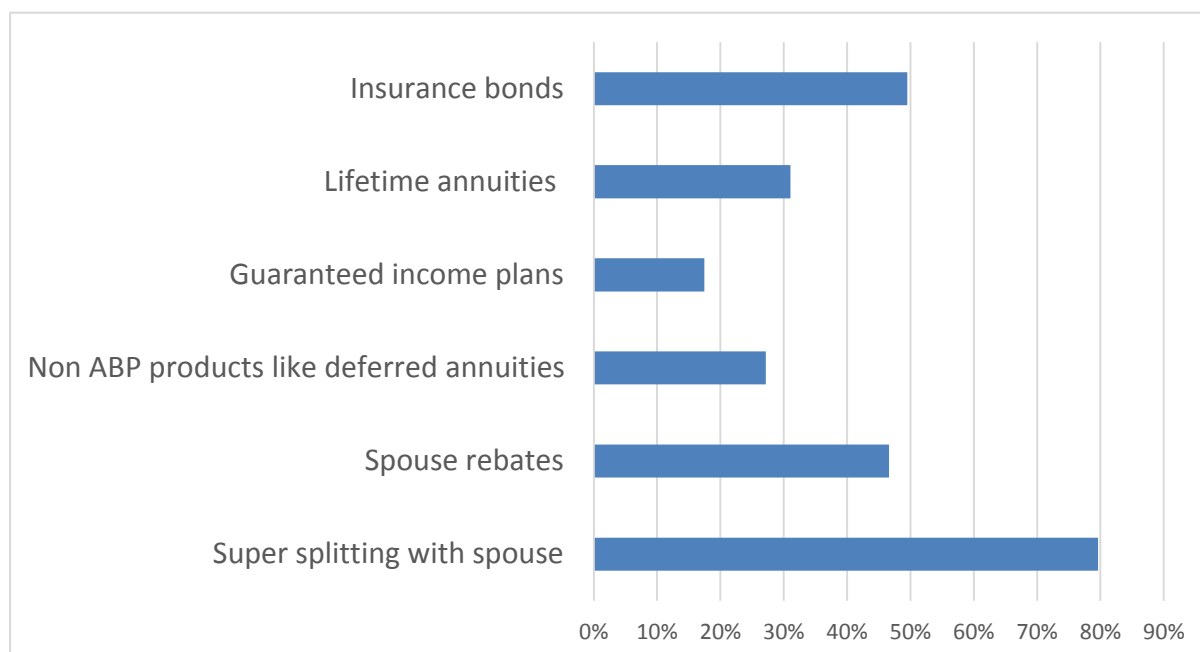
Given the increased level of difficulty in getting client's money into super, advisers are going to have a harder time in ensuring that superannuation will meet their clients' retirement income requirements. Reassuringly, advisers have largely rejected the need to take on more aggressive superannuation strategies or risk profiles for their clients.

Q. Now that TTR pension earnings are being taxed the same as super earnings, will you continue to recommend TTRs for those under age 60?



Budget 2016 marks the slow death of the Transition to Retirement strategy, with 58.3% of advisers seeing little or no value in continuing to recommend a TTR for those aged under 60.

R. The introduced complexity around retirement advice may increase the feasibility of some lesser used strategies - please tick which of the following you believe you may use as a result of these changes?



With the slow death of the Transition to Retirement strategy and the increased complexity of around retirement advice as a result of this year's Budget, advisers are looking towards some lesser used strategies.

Up until now, partners with disparate pension balances had little impact on tax. With the new Budget rules advisers will now look to split super across both parties to get both of their pension balances below \$1.6m