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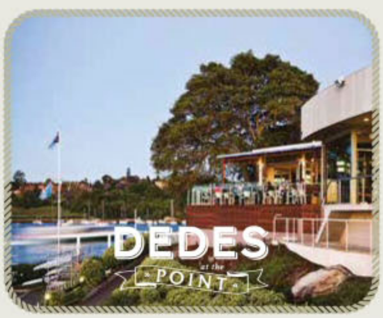

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CONTENTS

53 COVER STORY

Best of the Best 2017 – 105 gold-winning products

24 INTERVIEW

CEO of Starlight Children's Foundation Louise Baxter

39 SCHOOL HOLIDAYS

Free activities to suit all interests and ages

ON THE COVER

UPFRONT

MY MONEY

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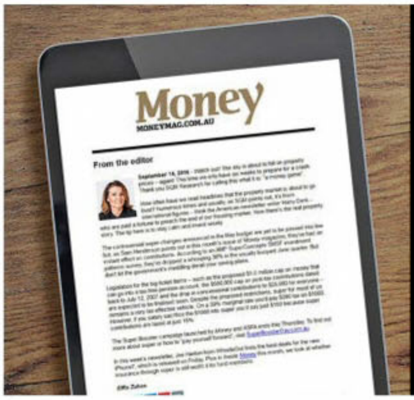

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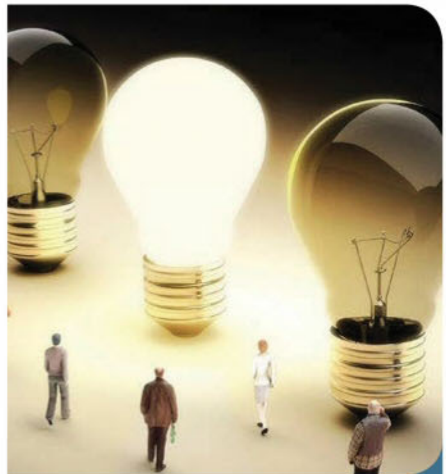

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PAGE 34

FO THE LATEST FINANCE NEWS VISIT **MONEYMAG.COM.AU**

CONTENTS BEST OF THE BEST AWARDS

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Make the most of it

Where did this year go? Well, if you believe French psychologist Pierre Janet the reason this year has gone so fast is because you're a year older and as each year passes the next year becomes a smaller proportion of your total lifespan. So when you're five, a year represents 20% of your life; when you're 50, it's a measly 2%. This made complete sense to me until my 10-year- old asked me the very same question.

As we unwind, and for those of us lucky enough to be on a summer holiday, now is the time to reflect on how your finances fared in 2016 and, more importantly, what you plan to do in the new year.

No doubt 2016 was a challenging year with a disastrous start for share investors. The stockmarket took a huge hit early on with the S&P ASX 200 touching a year low of 4765.30. Our confidence in super also took a hit as the government shifted the goal posts once again. We saw the Brits leave the EU and a billionaire reality TV star become the 45th US president. It's enough to make you want to run and hide but, as Ross Greenwood points out, you will miss the opportunities. He outlines six investment rules to make the most of what 2017 will bring, while Paul Clitheroe reminds us that we are one of the wealthiest nations on the planet.

If you're not feeling that rich, don't despair as this issue is all about taking advantage of what the new year may offer in all asset classes plus the products that may help you

Contact us

To send a letter to the editor, write to
Money, GPO Box 4088,
Sydney NSW 2001 or email
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For all inquiries and letters, please include name, address and phone details. Letters may be edited for clarity or space. Because of the high number of letters received, no personal replies are possible.

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Feedback

Letter of the month

Funds 'trapped' on a travel card

Thank you for your travel awards articles ("Ready, set … and now you can go", November). As I am now retired and my wife, after 45 years in the education profession, is retiring this year, we are really looking forward to a bit more travelling, albeit balancing the joys of being doting grandparents with the possibilities of lengthy absences.

Anyway, on a recent trip to the US and Canada we took travel cards, preloaded with the appropriate currencies. The only mistake we made was to use them for "holding deposits" for the sea cruise and hotel accommodation. The way a holding deposit works is the amount of deposit is "held" against your funds and even though your account is not debited the funds are unavailable to you until the holding deposit is removed by the vendor. As we found out with the cruise line, this can take up to 30 days. The result is that you arrive home with a healthy balance of foreign currency on a travel card that you were unable to spend and your travel budget is in tatters.

I recommend you use your credit card for holding deposits and then when the time comes to pay for services ensure you pay with your travel card. When bank sales staff recommend the travel card product, this fact should be highlighted to intending purchasers.

Andrew, Qld

In praise of a simple life

I found Paul's column on a simpler lifestyle (In Your Interest, October and November) so refreshing. My husband and I earn modest incomes, have two young children and enjoy a really good life. We decided a long time ago that there were two ways we could become richer: earn more or want less. We still try to save and invest wisely for the future but the thing that has made the most difference to our lives is the wanting less.

It's hard in this world full of "must haves" and the prolific buy-now-pay-later attitude but I agree with Paul that most of us need to readjust our approach and expectations both now and in retirement.

Thank you for your wonderful magazine. I get so much knowledge from it and recommend it widely.

Simone, email

Through the ages

As a subscriber for more than a year now, I have always loved receiving *Money* each reach your goals. Even if you're just two years old, Greg Hoffman's beautiful letter to his young son shows you can never be too early (or late) to create wealth.

A big thank-you to our research partners, many of which have been with us from the first awards issue 16 years ago: Canstar, Morningstar, Lonsec, Zenith, SQM Research, SuperRatings and WhistleOut.

The team at *Money* wishes you and your family a safe summer and a prosperous new year. We'll be back in February with our Top 50 share buys and property hotspots issue. Until then you can keep up to date by signing up for our free newsletter, or get all the latest at moneymag.com.au.

Effie Zahos,
Editor, *Money*
magazine

The ideal Christmas gift is money, but the trouble is you can't charge it —

Bill Vaughan, American columnist and author 1915-1977

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month, planning what to do with my salary when I at last finish university!

Having recently accepted my first full-time job post-graduation, I was so pleased to see Paul Clitheroe's advice to Isabelle (Ask Paul, November) on how to handle her "overwhelming" pay rise.

Thank you for always providing such age-appropriate advice. I hope *Money* magazine continues to be published well into my budding career!

Will, email

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What was the best (or worst) gift you've received for Xmas?

EFFIE ZAHOS
Money editor Effie says: "Had a good laugh when my son gave his sister small change for Christmas. Literally 75 cents in an envelope. The best gift I've received, though, is letters from my children outlining why I'm the best mum. Not sure how they came up with the methodology for this award but I'm more than happy to take the title."

MARIA BEKIARIS
Maria is *Money*'s deputy editor. She says: "When I was about eight my parents bought my sister and I with a swing set for the backyard. That brought us countless hours of fun over the years. Then of course there was the gift my daughter surprised me with last year – a Scholl Velvet Smooth Express Pedi – for my (in her words) 'dirty feet'."

SUSAN HELY
Senior staff writer at *Money*, Susan says: "Best was *Sgt Pepper's Lonely Hearts Club Band* album when I was 10. It had a great cover and knockout songs such as *With a Little Help from My Friends* and *Lucy in the Sky with Diamonds*. The worst was a shimmering blue Samurai fighting fish in a blue jar. The next day it was dead."

ANN LOVEDAY
Ann is *Money*'s art director. She says: "When I was a kid Santa brought me a rubber air-filled surfer plane. Pumped full of air I flew down the waves at Cronulla South beach. My dad spent hours wading in the sea and waiting for me to paddle out again so he could spin me round ready for the next monster wave. Hands down best gift."

BOB CHRISTENSEN
Bob is *Money*'s senior sub-editor. He says: "The provenance was doubtful but at least it wasn't another pair of socks. My young son found a coffee machine on the footpath and though it would be a good present. After a $40 service (new versions cost several hundred dollars) it is still kickstarting my mornings years later."

STEPH NASH
Money staff writer Steph says: "The year I turned 18 I got a couple of 1-litre bottles of Midori for Christmas. Since then I must receive at least two every year. No one needs six litres of melon liquor. I'm sorry, family, but my tastes have well and truly matured since I had my first drink."

The Money team

EDITORIAL
Chairman & chief commentator Paul Clitheroe
Editor Effie Zahos
Deputy Editor Maria Bekiaris
Art Director Ann Loveday
Deputy Art Director Tim Verrender
Designer Young-Sun Hwang
Senior Sub-editors Bob Christensen, Janice Hogg
Senior Writers Susan Hely, Pam Walkley
Staff Writer Steph Nash
Online Content Producer Sharyn McCowen

CONTRIBUTING WRITERS
Chris Batchelor, Nicola Field, Peter Forrestal, Adam Gee, Ross Greenwood, Sam Henderson, Greg Hoffman, Deborah Light, Roger Montgomery, Anthony O'Brien, Marcus Padley, Vita Palestrant, Richard Scott, James Whitbourn

CONTRIBUTING ARTISTS
Andrew Finlayson, Reg Lynch, Rodney Macuja, Jim Tsinganos, John Tiedemann

PHOTOGRAPHS
Getty Images, iStockphoto

ADVERTISING
NSW & Vic Peter Balinski (02) 9282 8075
Queensland Nikkola Hogan (07) 3101 6636
South Australia Jo Moroney (08) 8267 5032
Western Australia Vikki Stacy (08) 9449 9908

PRODUCTION
Controller Rosanna Quinzon
Advertising Production Dominic Roy

MARKETING
Subscriptions Thea Mahoney
Marketing Manager Kimberly Omodei

MANAGEMENT
CEO Nick Chan
Publisher Eugene Varricchio
Director of Sales Fiorella Di Santo
General Manager, Marketing Natalie Bettini
Circulation Strategy Manager Paul Weaving
Research Director Justin Stone

Syndication inquiries: acpsyndication@bauer-media.com.au
ISSN 1444-6219

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Now for the good news: we're one of the wealthiest nations on the planet

This is always an alarming time of year for me. It is when I sit down with my very flawed crystal ball and take a look at the year to come. But first I drag out my words from a year ago, take a deep breath and re-read them. As regular readers know, I do not pretend to have magical insights into "get rich quick" ideas. Those who claim to possess such miraculous insights into the future always amuse me. I figure that if I or anyone else had such clarity, why on earth would we tell anyone? I'd just invest my own money and spend my time pottering around in my jet or my luxury yacht in the Mediterranean.

And here I am working for a living!

The advice I have been giving to those who have followed my thoughts for over 35 years – namely to spend less than you earn and invest the difference in decent assets such as well-located property and shares and to minimise tax via legal vehicles such as super – is exactly what I have done as well. It is not a rapid way to wealth but it is a sure way.

So, as always, don't expect any miracle tips such as "Dog 5, race 6 at the Dapto races" or a 1¢ share that I think will multiply a hundred times over. Anyway, I can't avoid my comments from a year ago for much longer. So here we go.

Fortunately, I was pretty close. Amazingly, given I reckon that picking the Aussie dollar is a mug's game, it fell into my given range of 65¢ to 75¢ to the US dollar. Luckily I did not mention the British pound as I would have been totally wrong. I did not think that the vote for Brexit would get up. I am in the "lower for longer" camp when it comes to interest rates, so I'm not surprised that my "rates to stay low" comments were correct.

I thought shares would do a bit better than they did. I was going for an average year of around the 7% to 9% mark. Shares were generally worse than this, and a long-term favourite of mine, the banks, paid great dividends but went backwards in value.

With property I was OK viewed across the nation, as I went for flat to slightly down, but Sydney once again surprised me with strong gains in all well-located areas. The combined impact of a rapidly growing population, very low interest rates and a shortage of housing saw strong gains in particular in the past six months.

My comment that we would see plenty of bad news in the media was certainly correct, with all sorts of global drama, fears of China slowing and predictions of collapsing property prices to come, all well featured. The reality of life in Australia was, I am pleased to say, rather more humdrum. For some, life in any economy, regardless of its strength, is poor. Poverty, homelessness, domestic violence, mental illness, addiction and so on bring significant personal pain to individuals and families and a complex challenge for our community to attempt to resolve.

But we remain one of the wealthiest nations on the planet, and as individuals we Australians are pretty much the wealthiest people on the planet. Even better, our wealth is better distributed than in most economies, and the "median" Australian, that is the person right in the middle of our population of 24 million people, has wealth of some $280,000. Compare them with the person in the middle of the American population who has about $80,000. In other words, here the rich are rich but our spread of wealth is much better than in most nations.

Spend less than you earn and invest the difference in decent assets

And to save a fair bit of repetition, my view for 2017 is pretty much the same as for 2016. I still think property prices should slow and fall in some areas of oversupply. We're building a lot of apartments, so take care there. I am positive about shares, in particular as they did not do much in 2016. I think interest rates will remain low and the Aussie dollar in that 65¢ to 75¢ band against the US dollar.

I think we'll see plenty of bad local and global news. Undoubtedly we'll get some more nasty shocks and market volatility. But unemployment will remain low and our economy continues to be well positioned. Globally, the outlook is a mixed bag, with the good outweighing the bad.

Sadly, one thing I can guarantee is that bad news will receive much media attention, while good news will barely get a mention. This is annoying, as there has never been a safer or better time to live on our planet. Remarkable strides have been made to reduce global poverty by some 50% over the past decade. Global economic growth is actually OK, if not stellar. But we will hear little about any of these things. We all understand why: negative headlines always get far more attention. It is worth putting these into context. Some will be just plain terrible but with others we should apply a bit of common sense. My favourite is "the problem of an aging society". Obviously as we age, thanks to our world-class medical system and life extension, our society will need to change. But an aging society is caused by us living longer and I think living longer and in better health than at any time in history is a really good thing!

My advice is to stick with my decades-old strategy. Spend less than you earn and invest the difference in decent assets. If you are already in retirement, generating income will remain a challenge. This will continue to cause retirees to look at assets other than cash at the bank. These assets, mainly in property and shares, can generate much better income but with more risk. However, with much longer life, many retirees will be in retirement for longer than they worked, so shifting to some longer-term assets is not such a bad plan.

Paul Clitheroe is Money's *chairman and chief commentator. He is also chairman of the Australian government's Financial Literacy Board and a best-selling author.*

NEWS & VIEWS

THE BUZZ

Power of personal data

If information is shared, consumers could make better choices

We should be protective of our personal data, but important changes are afoot that will allow us to be more involved and empowered around its use.

The digital revolution is driving so much change in our economies and societies and there's a comparable consumer revolution. It's giving us more information on prices, more places to transact and much more choice, but the sheer mass of it all makes it harder to decide.

Hence the availability, sharing and interpretation of data is a key factor in driving this pro-consumer disruption even further than you might imagine.

If you've ever been bored shopping around for better car insurance, sought keener pricing on an electricity tariff or wanted health insurance that suits your needs and pocket, then getting control of your data really helps.

Companies you deal with might know the solutions to these needs better than you largely because they hold the data and regard it as their property. It's not in their corporate interests to tell you but if you and a helpful third party, such as a comparison site, could access your data, informed choices would be easier and quicker.

The potential value to consumers and business, as well as to innovation, competition and the whole economy, is massive.

The Productivity Commission has just handed down a draft report into data availability which might just let the genie out of the bottle. It quotes estimates that while 80% of data, such as duplicated photos, might be worthless, less than 5% of the potentially valuable information is ever analysed.

For the first time we would get a comprehensive right to control our data and pass it onto others, who might be competitors of our present providers, to get us a better deal.

For those concerned about privacy, the Productivity Commission says the new rules would give consumers the rights to opt out of data collection as well as view and edit any information held on us by government and business.

The UK and US are ahead of Australia on these data reforms, and it's likely business will push back, but getting control of our own data could make life much easier for consumers.

Christopher Zinn, consumer campaigner determinedconsumer.com.au

ON MY MIND

Plan early for aged care

It's not a thought that sits comfortably with most, but early forward planning for entering into aged care can take a lot of the stress out of it when the time comes.

Too often I particularly hear stories from within my department of families having to make rushed decisions when an older relative is faced with urgent medical care or can no longer live independently, and this greatly concerns me. The amount of information to absorb and the decisions to make can be overwhelming when you're not familiar with the process, but there's no reason not to get a head start in researching and making plans.

A great place to start is the myagedcare.gov.au website, which has a wealth of information to help navigate the aged care system, including an online residential care fee estimator to determine the fees and payments for living in an aged care home.

As well, people can attend one of our locally held Financial Information Service (FIS) seminars that discuss aged care, including the different levels of care, fees and charges, options for the former home, and pensions. FIS seminars are free to attend but bookings are essential. Check humanservices.gov.au/fis for more information.

Hank Jongen, PSM, general manager, Department of Human Services

CALENDAR OF EVENTS

Tuesday, December 6
RBA interest rate decision

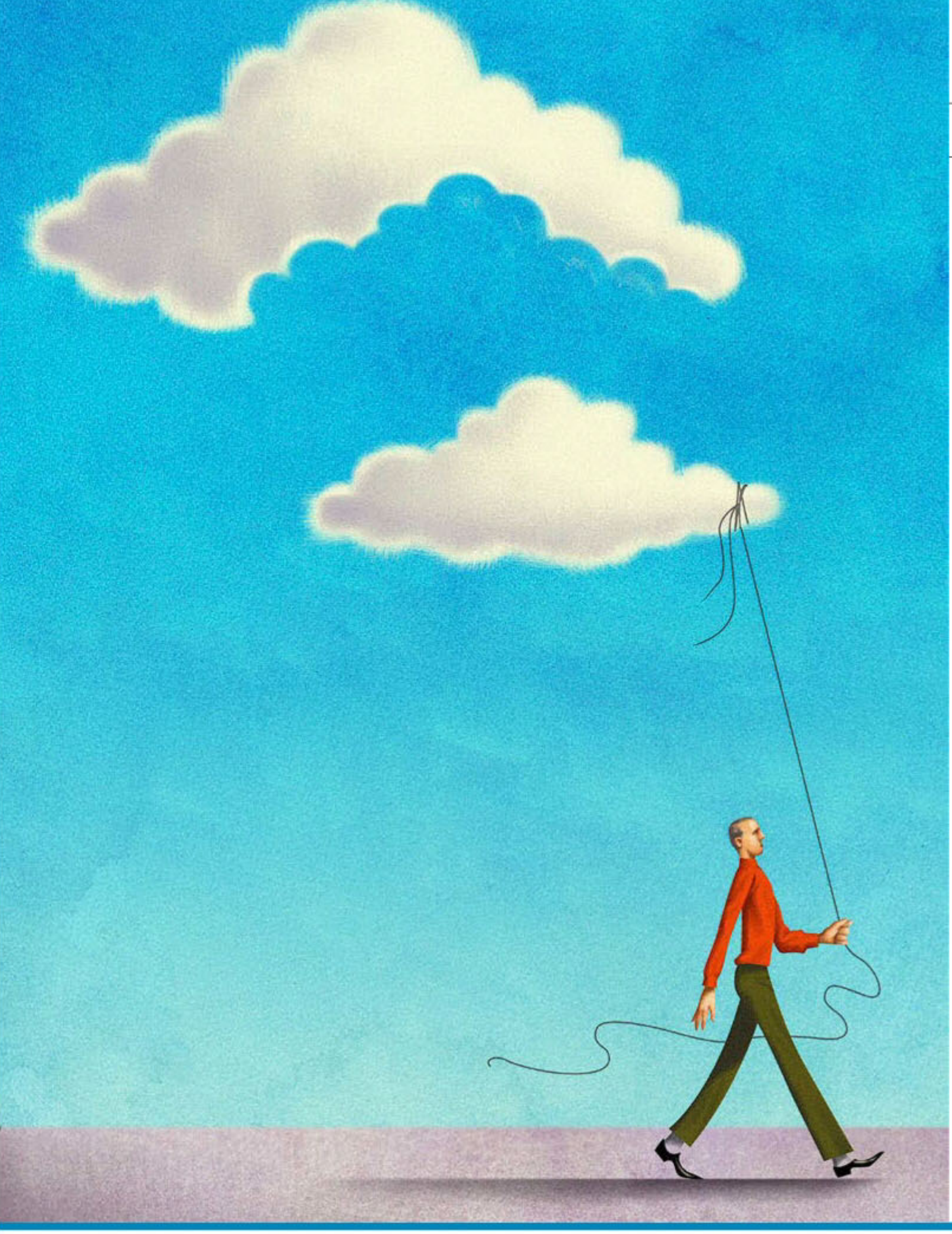
Tuesday, December 6
GDP growth rate

Thursday, December 8
NAB business confidence

Wednesday, Dec. 14
Westpac consumer confidence

Friday, January 6
Balance of payments

Thursday, January 17
Unemployment rate



NEWS BITES

Investing app Acorns has launched a new feature enabling users to make voluntary contributions to qualifying superannuation funds directly from their Acorns account. One of Australia's largest funds, REST, is on board and is giving members who register their REST super fund for voluntary contributions in the app six months of fee-free use of Acorns' services. Other funds that allow voluntary super contributions are North Super, Cbus, HESTA, Mercer, Prime Super and Christian Super.

A new listed investment company is hitting the Aussie sharemarket. Watermark is seeking to raise up to $110 million for the Watermark Global Leaders Fund Ltd (ASX: WGF), which it says is the first locally managed global market neutral fund in Australia. The offer period is open until December 9, 2016.

In what it describes as an Australian first, Bankwest customers are now able to check the status of their home loan application using a real-time online service and receive push notifications at key milestones.

Are low-deposit loans dead?

In recent weeks we have seen a number of lenders pull out of the low-deposit home loan space. As a result, potential buyers are having to stump up property deposits in excess of 5% (plus costs) to buy property.

To put this in perspective, borrowers in Sydney (where the average property price is $800,000) would need to have a deposit in excess of $40,000 to qualify for finance. Further, when you consider property prices are consistently rising across most of the capital cities, the deposits potential buyers need will continue to grow.

But while some banks are no longer happy to play in the low-deposit space, there are still lenders that are. For anyone looking to buy property in the not-too-distant future, it is critical you do your due diligence. Speak to a finance professional to find out which lenders will still lend above a 95% loan-to-value ratio.

Also, remember that interest rates have never been lower. As such, the cost of borrowing has never been more affordable – which is great news.

John Flavell, CEO, Mortgage Choice

$239

The average cost of owning a pet each month, according to the latest annual PETstock Pet Parent Survey of 905 owners. The most they had spent on a vet bill was $1649 on average. About 30% of those surveyed had pet insurance, at an average cost of $629.

NEWS&VIEWS

BOOK OF THE MONTH

THE BAREFOOT INVESTOR
Scott Pape RRP $29.95

Scott Pape is a rough-around-the-edges finance guru with a few newspaper columns and a regular stint on Triple M radio. Here he tells the heartbreaking story of how his family lost everything in a bushfire in 2014. He'll rattle you with stories of scorched earth and blackened sheep but it's all background to the real story of how he rebuilt everything he'd lost.

The 300-page guide is filled with practical personal finance strategies, covering topics such as super, debt consolidation and mortgages. And 10% of all royalties goes to the non-profit service Financial Counselling Australia. STEPH NASH

Ten readers can win a copy.
How have you fireproofed your finances? Entries should be 25 words or less and be sent to Book of the Month, Money, GPO Box 4088, Sydney, NSW 2001 or email money@bauer-media.com.au. Don't forget to include your name and postal address. Entries close February 2, 2017.

APP OF THE MONTH

CLIPP
COST: FREE
OS:IOS, ANDROID

Food seems to taste even better when you're getting it for a discount. If you're stuck booking a venue a few hours before your rendezvous, you can browse the Clipp app to find a range of offers that need to be used that day.

Each deal, valid until a certain time, usually offers a discount up to 40% that is applied after you spend a certain amount. It's particularly good for groups, as the minimum spend is usually between $70 and $100. At the time of writing, there were deals in all states, with over 200 in Sydney, 150 in Melbourne, 100 in Brisbane and 63 in Perth.

Payments are made through the app. When you select an offer, you open the "clipp", which becomes your tab. All transactions are listed on the clipp and then automatically reconciled with your PayPal account at the end of the booking. Need to split a bill? Add other guests to your clipp through the app – it's easy and avoids awkward discussions. STEPH NASH

TAX TIP

Be quick to get the HELP bonus

The tax office rarely gives away money but if you have a bit of spare cash and an outstanding student loan, you can take advantage of a government scheme that gives you exactly that – if you're quick!

Under the terms of the higher education loan program (HELP), you can make voluntary repayments at any time to reduce your debt. The effect of making a voluntary repayment is to reduce your loan balance immediately, which means that the debt will be paid off faster.

Making a voluntary repayment doesn't alter your need to make compulsory repayments each year that you have a debt and your repayment income is above the threshold (currently $54,869).

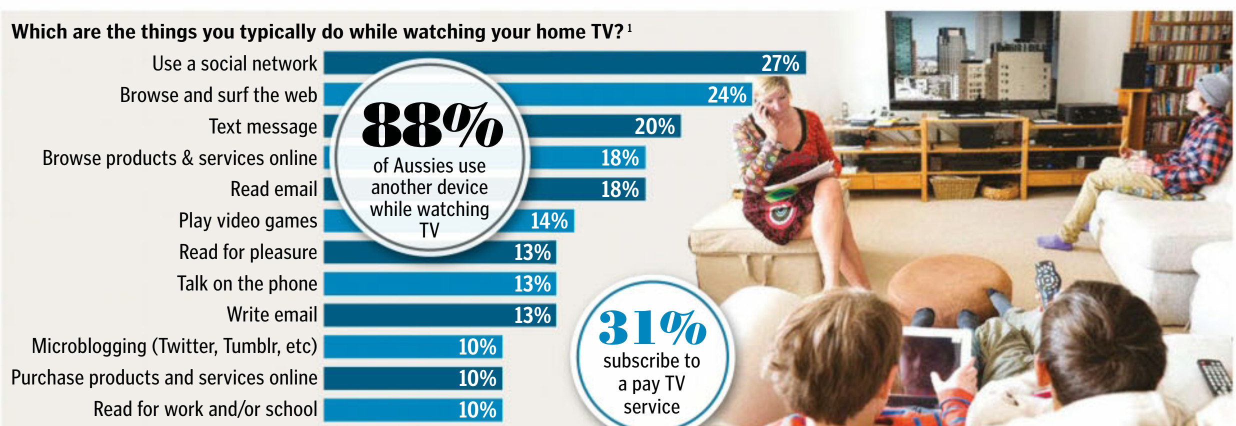
Until December 31, 2016, if you make a voluntary HELP repayment of $500 or more the government will give you a 5% bonus. If your HELP debt balance is less than $500 and you make a voluntary repayment to clear the debt, you also will get a 5% bonus.

So if you pay $1000 off your outstanding debt, the government will give you an extra $50, meaning that your loan balance will be reduced by $1050.

From January 1, 2017, the voluntary repayment bonus will no longer apply. With Christmas approaching, if you want to make a payment it would be sensible to do it sooner rather than later.

MARK CHAPMAN, DIRECTOR OF TAX COMMUNICATIONS AT H&R BLOCK. MCHAPMAN@HRBLOCK.COM.AU

SNAPSHOT TV watching multi-tasking behaviours



Source: Deloitte Media Consumer Survey 2016 [1] Summary of always/almost always

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▶ MORE MONEY STORIES ON 36-39

AGE PENSION

Get ready for assets change

Genene Wilson,
senior financial planner,
Omniwealth

If you are near the assets test threshold and wish to continue to receive your age pension at the same level, you may want to consider spending some money by bringing forward your planned purchases such as a car, home improvements or holiday, or gifting a small amount of money. You can give away up to $10,000 provided you meet the gifting rules.

You could also consider prepayment on a burial plot or other things that are not counted as assets for test purposes, and may legitimately depreciate values of some assets.

If you have an income stream product such as an annuity, look at when and by how much you can adjust the amount of income you receive against your needs to meet living expenses. Generally, you can adjust the level of payments, frequency and investment mix.

More Australians are entering retirement with debt. Ensure the repayment of home loan/reverse mortgage, credit cards or other commitments are going to be affordable. If not, contact the lender to discuss options.

My best advice is to be ready ahead of the January 1 changes so you don't experience a shock when they occur. To get started have a look at the Department of Human Services website (humanservices.gov.au). If you don't have an adviser or you need financial support or counselling, check the seniors section of the federal government website (australia.gov.au/content/seniors-card).

Alternatively, if you are a seniors card holder, inquire about financial planners in your state. You may be eligible for discounted advice.

Asset test threshold changes

	Full Pension[1]		Part Pension[2]	
	2016	2017	2016	2017
Single homeowners	$209,000	$250,000	$793,750	$542,500
Single non-homeowners	$360,500	$450,000	$945,250	$742,500
Couple homeowners	$296,500	$375,000	$1,178,500	$816,000
Couple non-homeowners	$448,000	$575,000	$1,330,000	$1,016,000

Source: humanservices.gov.au. [1]Pensions start reducing when assets are more than the following amounts. [2]Part pensions cancel when assets are more than the following amounts.

INCREASED COST OF GIVING

How much are you planning to spend on Christmas gifts this year?

Source: finder.com.au, survey of 2005 adults.

COMPILED BY STEPH NASH

PROPERTY

AFFORDABILITY

Planning laws add to costs

Graham Wolfe
Chief executive, Housing Industry Association

Zoning restrictions, height constraints, floor space ratio limits and a myriad other planning obstacles affect housing supply and affordability. Simply adding affordability to the stated objectives of state, territory and regional planning laws would go a long way in positioning the issue at every instance where planning decisions are made.

- **Remove, or at least reduce considerably, government infrastructure costs.** Infrastructure fees, levies, charges and taxes are all input costs that inevitably flow through to the home buyer, usually with added costs due to holding charges and the unfortunate fact that some taxes are paid on taxes already charged. It's mind-blowing, and it destroys housing affordability.

State/territory governments charge them, as do many of their utilities, agencies and councils. Often these costs help fund infrastructure that is shared by the broader community, yet they are charged to the individual home buyer. All three levels of government need to reconcile the cost of layers of infrastructure charges on new homes.

- **Reduce the time and cost of planning assessments.** When a developer, builder, designer or owner submits an application, they wait. They're not sure what's happening to their application. It takes too long and costs too much. It's time the process was reformed, especially for low-scale, low-risk projects. Applications for detached, semi-detached and other low-density housing should be open to competition through private assessment and certification. Using standardised transparent codes, private planning professionals would assess smaller-scale projects quickly and efficiently, freeing council planners to focus on major projects and strategic planning matters.

Glimpse of a digital future

CoreLogic's 2016 *Future of Real Estate* report estimates that 82% of real estate jobs will be at risk of digital disruption by 2032, as the industry makes way for advancements in push technology, artificial intelligence, virtual reality and blockchain to appease buyers.

CoreLogic predicts a future in which potential buyers will be sent digital alerts from homes for sale that are within their budget and in their vicinity.

Social media and search algorithms are set to change the way we find property: it will find us, and not vice versa. STEPH NASH

Infrastructure priority list

The single most important word for investors seeking good places to buy is "infrastructure". Existing transport links, schools, medical and educational facilities are important but spending on new infrastructure is the most influential in igniting real estate markets.

The biggest game changer in this regard is transport. New or upgraded transport links can revolutionise the appeal of locations. The greatest catalyst for Sydney's real estate up-cycle has been massive spending on infrastructure after years of neglect. This ignited the city economy.

This will continue in Sydney with projects such as the $17 billion WestConnex. In Brisbane's north, the newly opened Moreton Bay Rail Link will boost the appeal of real estate on the Redcliffe Peninsula. In Brisbane's south-west, upgrades to the Ipswich motorway have been influential.

TERRY RYDER, HOTSPOTTING

PROJECT	STATE	ESTIMATED COST	DURATION
M4 motorway upgrade	NSW	$400 million	2017-2020
WestConnex	NSW	$16.8 billion	2015-2023
Ipswich motorway, Rocklea-Darra	QLD	$250m-$500m	2017-2019
M80 Ring Road upgrade (current)	VIC	$250m-$500m	2016-2019
Perth freight link	WA	$1.9 billion	2016-2021

Source: https://www.nics.gov.au/

▶ MORE PROPERTY STORIES ON P40

COMPILED BY STEPH NASH

INVESTING

▶MORE INVESTING STORIES ON P41-43

RETURNS

Obsession with yield will pass

David Bryant chief investment officer, Australian Unity Investments

There's likely to be a "changing of the guard" in 2017. As economic growth (albeit sluggish) continues and the US starts to increase interest rates, investors' obsession with Australian equities that have high dividend rates, such as the banks, will finally pass.

While Australians have been reluctant to invest offshore in recent years, 2017 will be a good time to look for managed funds with a US weighting.

It's also time investors looked outside the narrow world of residential property – office, commercial and industrial markets are all experiencing robust conditions (with some differences in geographical areas) and the right investments can offer yields of up to 8%.

Another strong contender for high-yield opportunities is an option, largely overlooked since the GFC, that once held an important role in portfolios – mortgage funds. These were once an important part of the yield solution but the worldwide credit collapse meant the pooled structure used at that time was found wanting.

The new breed, contributory mortgage funds, are a good option for investors wanting regular, monthly income. Instead of the pooled structure, where a number of mortgages were combined to produce a return, contributory funds allow investors to choose the mortgages they want exposure to and offer returns of around 7%.

Europe looks promising

Nader Naeimi, AMP Capital

Having gone through consecutive crises, Europe has been in repair since 2009. In every crisis, however, there is opportunity. The relative attractiveness of European equities versus US equities has reached multi-decade highs across most sectors.

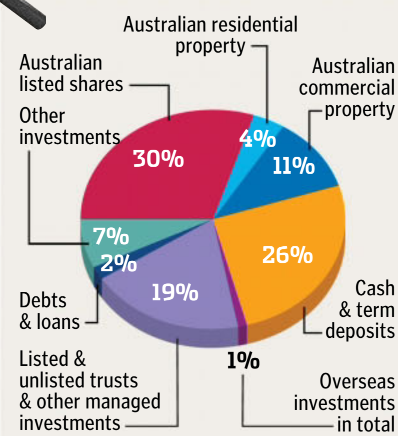
Meanwhile, monetary and credit conditions continue to improve. The pick-up is across the board and includes business, housing and consumer loans. The most striking feature of European equity markets has been the enduring de-rating and underperformance of commodities and financials.

The key risk for the banking sector is Italy, where non-performing loans have risen by a staggering amount. But with European banks trading on GFC-level valuations, they represent a great contrarian investment. There is also a strong chance that further quantitative easing in Europe will be around reversing the damage (particularly to bank profits) of the negative interest rate policy.

Indeed, 2017 is expected by the International Monetary Fund to be the first year since 2010-11 that all G20 economies enjoy positive GDP growth in US dollar terms.

DIY funds mix up their investments

Where SMSF money is invested



Source: ATO, year to June 30, 2016.

COMPILED BY STEPH NASH

SHARES

SERVICES

Tourism set for further growth

Julian Beaumont,
investment director, BAEP

Australian service industries grew strongly in 2016. Tourism has had something of a renaissance in recent years, helped by a cheaper currency and a re-focus on the sector from the government down. This looks set to continue, with continuing strong inbound tourist numbers underpinned by the long-projected growth from our largest market, the Chinese.

The growing number of tourists has allowed hoteliers, tourist operators and other companies to improve their profitability. It has also encouraged new capital investment in the sector.

Many tourist businesses are quite capital intensive and thus highly leveraged, meaning a rise or fall in demand goes straight to the bottom line. This is great when numbers are rising. However, many are also exposed to new supply.

For example, new hotel construction is forecast to reach levels not seen since the late 1980s, with more than 60 new hotels planned across the country over the next two years, which will inevitably harm profitability for all. Airlines are similarly exposed.

It is therefore wise to invest in those businesses offering something unique. For example, Sydney Airport is a monopoly gateway; Crown and Star casinos are monopoly-like assets that get a boost from tourism, especially the growing number of Chinese tourists; and SeaLink Travel operates the monopoly ferry route to Kangaroo Island, among other ferry services Australia-wide.

Buying into a growing sector does not guarantee growing returns but is a good place to look.

▶MORE SHARES STORIES ON P44-51

Floats get off to a great start

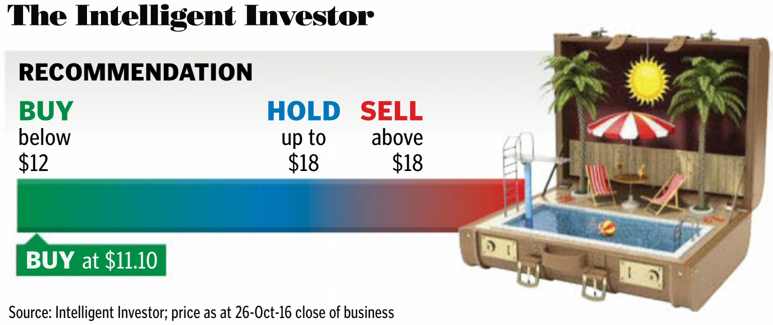
Initial public offerings (IPOs) continued to beat the gains of the Australian sharemarket. The average return from the 58 companies that listed on the ASX in the nine months to September 30 was 27.2%, compared 2.6% for the S&P/ASX 200.

A total of $4.8 billion has been raised by the IPOs, according to OnMarket, an online bookbuilder.

Notable launches were Perth-based 3D printing start-up Aurora Labs, with a 500% return, and Abundant Produce (312.5%). Others included cyber safety start-up Family Zone (42.5%) and sleep-disorder device manufacturer Oventus (42%).

BUY CROWN

The Intelligent Investor



Source: Intelligent Investor; price as at 26-Oct-16 close of business

Although mainland Chinese VIPs represent "substantially less than 12%" of Crown's profits, let's be conservative and assume they represent 10% of EBITDA and they stop coming to Australia.

On this basis, our estimated value of Crown and its 27% stake in Melco Crown Entertainment is around $12 a share. We can add another $1 if we instead use the current market value of Crown's Melco shareholding. We're using an EBITDA multiple of 10 – Crown's average is 11 since listing – and we've made no adjustment for the likelihood that Macau is at cyclical lows, nor for the Studio City casino there and City of Dreams casino in Manila, both still ramping up.

We've also assumed no value for Crown Sydney, Crown's proposed Las Vegas casino nor its wagering business. This also assumes no incremental value from the proposed hotel REIT spin-off nor from the imminent doubling of rooms in Perth. **Jon Mills, analyst, Intelligent Investor**

COMPILED BY SUSAN HELY

STORY DEBORAH LIGHT

A former marketing high flyer now uses her skills to give sick children the chance to be children

A source of light

Fact file

Louise Baxter

CEO of Starlight Children's Foundation. Age 55. Lives Longueville, Sydney

Named not-for-profit executive of the year in 2015 by The CEO Magazine. *Former senior marketing and advertising executive. First job: serving behind the counter at David Jones as a schoolgirl.*

Louise Baxter remembers a mother watching her child react to some silly antics in a Starlight Express room, a haven where kids can have fun while they're in hospital. "She told me: 'My daughter just smiled for the first time in six months and now I know my child is still in there, in this illness and all this stress and pain.' "

It's the kind of payoff that makes Baxter's job rewarding. She heads Starlight Children's Foundation, a not-for-profit (she prefers the term "for purpose") enterprise that is rated among Australia's most respected charities, involving 300 paid staff and, in any month, 2000 or more volunteers who deliver in-house hospital programs to ill and injured children.

"It's about giving sick children that chance to be children," explains Baxter. "A doctor once told me that, in treating the illness, we steal their childhood. For me that was a powerful comment." More importantly, perhaps, it uses positive psychology to build the child's well-being and resilience. "Thirty years ago people pooh-poohed the concept that, if you felt better, you'd have better health outcomes. Today people embrace that.

"So what we're doing for children is lifting their spirits, maintaining their sense of self, improving their self-esteem and engaging them in distractive therapies. We talk about replacing pain, fear and stress with fun, laughter and joy. It helps them look past the next surgery, or round of chemo or whatever it is, and be positive."

There's proof it works: fewer doctors' appointments are missed, for example, when sick kids are involved in Starlight programs. There's better compliance with their treatments and more willingness to take medication. There's also less need for help with anxiety and depression. Indeed, a social return on investment study by accounting and personal services giant PwC Australia showed that, for every $1 invested in Starlight hospital programs, there's a return of more than $4 to the community – that includes costs that would otherwise been incurred. (A separate national program, Livewire, has been developed to tackle loneliness and isolation among hospitalised teens and is now being expanded.)

Around this time of year things get busy. Starlight began as a wish-granting organisation nearly 30 years ago and has since grown to be the only charity with a permanent presence in every paediatric hospital in Australia. In Starlight Express rooms Captain Starlight and his helpers run programs every day to amuse and divert sick and injured children and their families. Having a wish granted is, says Baxter, "part of their journey".

School holidays, for starters, mean there are plenty of siblings in the Starlight Express rooms looking for entertainment. Starlight makes more than 200,000 contacts with children every year, with demand peaking during this period. Around 500 wishes are granted every year, and the aim is to make commitments to fulfil those wishes around Christmas because, says Baxter, "people are really tapped into the fact that this time is about children and granting their wishes and ensuring they're happy".

Baxter talks about the girl who, following her cancer treatments, wanted to restart her life by swimming with her mother among whale sharks at Ningaloo Reef in Western Australia. Then there's the teenager who survived his illness and is now having his wish fulfilled to rebuild an old flatbed ute with the mates

RODNEY MACUJA

"We talk about replacing pain, fear and stress with fun, laughter and joy" he'd lost touch with during his treatment. "Now we have upholsterers and mechanics and Holden donating parts to get that wish granted."

Seeing and experiencing snow for the first time is a common wish, says Baxter, as are visits to theme parks. "Families of seriously ill kids are usually financially, emotionally and physically devastated by what's happened. It means a lot of them have never been on holidays, never been on a plane, never been out of their state. Many of our kids want to go to the Gold Coast theme parks, which might be easy for others who have the ability to do that, but for them this is major."

Baxter is articulate and polished, as you might expect, given her corporate pedigree in high-level marketing and communications. Her career might have continued its trajectory had she not – as she laughingly concedes – hit the cliche of a mid-life, if not crisis, then rethink. "I loved working in communications, I loved marketing and advertising. But I got to a position where I thought I must be able to do something more worthwhile with my skill set than sell chips and shampoo. And it happened to coincide with when I was around 40."

With two kids aged under 10 and a "completely supportive" husband, she took what was planned to be a short break from the corporate world to do a fill-in job at Starlight and was quickly hooked. "After three months the CEO asked me to stay so I did." It meant sacrifice, not that Baxter has any gripes or regrets. "It was an enormous change in salary and lifestyle. We had to cut back and, for the first few years I just kept extending my mortgage so I could stay."

There was a brief return to corporate life in sports event marketing before she rejoined Starlight in 2009 as CEO. It came at a critical time for the charity. After the GFC things were worryingly slow so Baxter needed all her business skills to grow annual revenues, then languishing at around $16 million, to $35 million today. That said, she observes ruefully: "It's down on what we were hoping to raise."

She's not talking about meeting expectations at Christmas but beyond. Take the four new Starlight Express rooms now under construction at an average cost of $1.5 million. "We need to grow our services in the next three or so years by around 70% to meet the growing need." Two generations back, children surviving cancer, for example, were sadly relatively rare, Baxter observes. Today that rate is about 80%. "But often the treatments can impact growth, fertility, eyesight, so there can be repeated hospitalisations." Also greater survival rates from serious illness and injury among children means they undergo hospital treatment for longer periods, often into their teens.

Louise Baxter ... a "guardian of the donated dollar".

"I have the daily reward of seeing lives change for the better"

Cash flow is king when you're running a charity to meet this kind of growing demand. "I've been focused on growing a sustainable revenue stream because, if something falls over, such as if you have a fund-raiser you think will raise $200,000 and it only raises $100,000, where's the extra going to come from? You need people giving to you regularly if you're running programs seven days a week."

Baxter is also a big driver behind employee satisfaction and proud her enterprise was recently named best employer of the year – a first for a non-profit organisation – by human resources company Aon Hewitt Australia. "I don't care what business you're in, you need alignment and engagement with your people to be the most effective and efficient," she says. "We have to be more effective and efficient than the corporate sector because we are guardians of the donated dollar."

Among employees are the all-important Captains Starlight – all professional performers and often recruited from circus, music and acting schools – who preside over the Starlight Express rooms. For their roles they get additional training in positive psychology, well-being and mindfulness, as well as clowning and improvisation. Baxter estimates some 60% are Gen Ys and often students. Meanwhile, all employees, including Baxter, work in a Starlight Express room every quarter. "They see first-hand and get their own quotes and anecdotes."

It makes for great ambassadors of which, of course, she's one. For Baxter, her job has never been about money. "Quite frankly, it's that old saying that money doesn't make you happy. Even though it has had an impact on what we've been able to do as a family, I made that decision and I'm not complaining." Besides, she gets a precious and unusual perk: "I have that daily reward of seeing lives change for the better."

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Once Paula clears debt, she can ...

Learn to save and 'get rich slow'

Q I always thought I was quite good with money but I have dug myself into a bit of a hole with credit card and personal loan debt. I have a $15,000 personal loan and $12,000 of credit card debt. I earn $69,000 and have a home loan on which I pay the minimum amount of $1320 a month. What is the best way forward?

Paula, it's time to knuckle down. You have achieved step one and you should be proud for "outing" yourself. Unless any of us admit we have a money problem, we can't solve it.

So I want you to go to the MoneySmart website and use the budget planner to get your cash flow under control. I like this site a lot, mainly because we taxpayers fund it and it will not flog you credit you do not need, bombard you with advertisements and so on. You earn good money and are only paying $15,840 a year on your home loan. I know you can find good monthly savings.

Pour these into that rotten credit card (can I get you to cut it up?) and get rid of that $12,000 ASAP, then turn to the personal debt and clear it out. Once you have done that, increase your mortgage repayments. The magical thing is that the "debt removal" plan will teach you how to save. Once the debt is gone, keep up the savings and you will find over time that you will "get rich slow".

For Mark to buy a property ...

Loan size is the key

Q I am 55, divorced, with an adult daughter still living with me. I did have four properties but had to sell them to split the asset pool. I now rent in the inner city (Sydney) paying around $450 a week net after renting one of my rooms via Airbnb for $375 a week. I own a business paying myself $57,000 a year, plus the business has an average yearly profit of around $250,000 and an estimated worth of around $750,000. I have super totalling $450,000 and cash of around $150,000. I will also receive an inheritance of $400,000 some time in the next five years. I need to get back into the Sydney property market. What do you think, based on my age and paying off such a high debt over a short period?

Hi Mark. I think the key issue here is how long you plan to run your business for.

With an annual profit of some $250,000, obviously this is your key wealth creator. Your super is a great asset for the future and I would like you to top it up from those company profits to the maximum allowable. If you were to work another decade or so, this could provide a nice retirement income.

In terms of getting back into the market, the three things a lender will look at will be your savings of $150,000, your income of $57,000 and the asset you have in the business. Banks tend to be wary of the value in a business, so I am unsure how big a loan you would be offered.

But with your very profitable business and, I would think, plans to work for another decade or so, I would not be concerned about seeing you with a large mortgage. The future inheritance would also help to clear that. My bigger concern is the size of the loan you would be offered. I'd talk to some lenders to sort that out.

To build her wealth, it would be better for Kaysi to ...

Start with one property

Q I'm female, 34, single, earning between $130,000 and $140,000 in the mining industry. I have about $60,000 in super and $50,000 in savings and some shares to the value of $8000. I recently sold my oversized home and want to start afresh. I realise the mining industry won't last like it is forever and at some point I'd like to say I'll start a family. All these things play on my mind as I know they will possibly cut down my earning capacity in the future.

I was thinking of maybe two small properties, say both under $400,000, one for me to reside in and the other as an investment. Is this what you would recommend? And positively or negatively geared?

Hi Kaysi. I am very pleased to see you are taking a realistic view of your work and also thinking about a family in the future. The big issue in my mind is where you plan to buy.

We can't run our lives on a totally negative outlook but if at some point in time you had kids and were not earning such a large salary and your rental property was vacant, I would wonder how the two mortgages would be paid.

Maybe a starting position is to buy one property as an investment and build savings as fast as you can before you buy the one intended to be your home.

Matt has better options, so ...

Don't pay off student debt

Q I'm 23-year-old engineering graduate from Hobart in my first position out of university. I earn $68,000pa plus super and have almost $10,000 in super. I have $35,000 savings and a $33,000 HELP debt.

What is your advice in regard to a young graduate's immediate future? Do I take advantage of the government's voluntary repayment contribution on HELP debts before the end of the year and pay it off all at once, or should I be a little more relaxed and be looking at investing? If so, where?

My view on HELP debt is that it is likely to be the cheapest loan you will ever have. My general advice is to allow the extra tax taken out of your salary to pay that down over time and invest your money. I believe you will earn more on your savings and investments than the benefit you get from paying off HELP debt. Equally, money you build up in your own name is yours to use. This may be for investment, buying a home or even starting your own business. HELP debt is very low cost, so paying it off more quickly would not be my priority.

With an $80,000 inheritance coming, Tim could ...

Benefit from more risk

Q I am a 27-year-old owner-occupier of a property worth $500,000 ($320,000 mortgage with $60,000 in an offset account). I plan to rent out the house next year at about $450 a week as my employer will provide our accommodation. I have $220,000 in super, a share portfolio of $20,000 and savings of $5000, as the majority goes into the offset account. My gross income is $110,000 and my partner earns $55,000 gross.

Next year I will receive an inheritance of about $80,000. I also envisage a wedding and children with my long-term partner in the coming years. I believe that my super will continue to remain healthy and as such I am happy to take some measured risk at this point in my life. I am hoping you could provide some astute advice on how best to invest this additional income (pay down the mortgage, second property, shares, etc?).

Congratulations, Tim. Not only are things financial going well for you but your financial literacy skills are terrific. It looks to me that you have total equity in your house, superannuation and share portfolio of $485,000. This is significant at any age but really impressive at 27. I recall owning a Datsun 1000, worth $300, when I was your age.

The wedding will be a wonderful occasion but it can be hard on your cash. That I will leave to you but it is very clear you have financial discipline and you have surplus income. I agree about your superannuation. You are young and your employer contributions are enough right now.

The answer to your question comes down to one word: risk. How much do you want to take? Paying down the mortgage is sensible and super safe. But at your age, putting aside wedding costs, I think you may well benefit from a bit more risk. This could be some sensible borrowing to buy a well-located investment property, shares, exchange traded funds or whatever you prefer. I can't get too excited about which one you choose. For me, the major upside over time is geared returns.

Only you can determine your risk comfort level. If in doubt, keep building that offset account. My feeling, though, is that given your age, current equity and savings capacity, well-planned risk is likely to be your friend.

To find more work Billy may have to ...

Leave the comfort zone

Q I am 39, from Geelong and underemployed. I earn around $30,000 a year and have $43,000 in the bank and $6000 in superannuation. I am single and, yes, I live with my parents. I don't have any loans; however, I help them out and pay board. What can I do to boost my savings or improve my situation?

Underemployed is a word I hear a lot these days and it must be really frustrating. Billy, the key is, how do we get you more work? Sure, you can try to save more by lowering your costs but on $30,000 a year, even though you are living at home, it would not be easy. I have no doubt you are seeking more work. But is there anything you can add to your skill base that would enhance your ability to get more work and better-paid work? Are there courses you can do, or would you do some voluntary work with an employer to show them your skills and enthusiasm?

Equally, would you travel to get more work or would you work in a second part-time job that you may feel does not match your skills and training. Jobs such as household cleaners and bar and retail staff are in demand in our strong economy, though you may have to travel into Melbourne.

So I reckon improving your work situation is the key to improving your financial position. I know it is not easy but I would encourage you to be brave and move out of your comfort zone if needed.

NEED PAUL'S HELP?

Send your questions to:
Ask Paul, *Money* magazine, GPO Box 4088, Sydney NSW 2001 or money@bauer-media.com.au.
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How parents could help buy a property

My partner and I are both 25, earn about $150,000 gross and are looking to get into the hot Sydney housing market. I am in a fortunate position where my parents are financially well off and are able to assist us, and they are also looking for an investment property. I think I have come up with a variant of a co-ownership model which allows everyone to "win".

Say we purchase an apartment in a middle-ring suburb and we borrow $700,000 for 25 years at 4%. If the arrangement was a 50/50 split, this would represent a payment of $1850 a month each. Under this simplified model, my parents are then contributing to a mortgage for which they are getting no rental return. So if in addition to the mortgage payment my partner and I then paid my parents 50% of a market rent, this might represent an opportunity for all parties to build equity, us to get a home, my parents to get an investment property and an opportunity to get tax benefits apportioned to the half that they own. Such an arrangement would have to be structurally watertight in regards to what happens if one of us wants to sell or if my partner and I split, etc. Is it all feasible?
Dean

Hi Dean. Yes, this can work. The real issue is sitting down with your parents and getting their perspective. What you have here is a pretty simple joint property purchase. You, or you and your partner, buy 50% as tenants in common; your parents buy the other half in one name or both depending on their tax position, also as tenants in common.

A joint tenant arrangement is how a couple would typically buy a home. If one of you dies it automatically goes to the other. With tenants in common, you can define an exact share owned by each person. This is how you would buy a shared property, as it clearly gives ownership of a set percentage – for example, it may be 50% to you, or you and your partner, and 50% to your parents.

I wonder if this is what your parents want. They will have a few issues on their mind and will be concerned about preserving family capital in case of a relationship breakdown. With your suggestion, the half in their name will be protected, and any mortgage would be repaid to the lender. The equity in your half would depend on how you had structured the ownership, the debt and any agreement between you and your partner.

You mention your parents are financially well off and I am left wondering if it would not be a heck of a lot easier, and cleaner, if they assisted you into a property via a loan

PAUL'S VERDICT:

Mum and dad could be the bank and lend you the money

It is likely to get messy if you and your partner split

and then did their own thing in regard to an investment property. Many parents as they approach retirement, or retire, have money in the bank that they earn interest on – it's likely to be 2.6% to 2.8%. A bank mortgage, including all fees and charges, is likely to carry an interest rate of, say, 4.5%. It may work for your parents to be the bank. That is, they lend you, secured by the first mortgage, the amount you need and charge you somewhere between the rate they are earning now on their money and the rate you would pay on a mortgage, say around 3.5%. By cutting out the bank, the bank's margin of some 2% is split between you and them.

You and your partner then own the property. You deal with what happens if you split up but your parents are protected via the first mortgage. As well as the first mortgage, your parents would also want documentation as to how and under what conditions the property is sold to repay the mortgage, the rate of interest payable and so on.

Your plan is equitable and perfectly sensible. But if I was one of your parents, it would strike me that it was likely to get messy if for any reason your relationship with your partner did not work out. With over half of relationships splitting up it would be silly to pretend this is not a possibility.

So while I think your parents will be delighted you have put together an equitable plan, don't be too surprised if they want to chat about a family loan, with interest payable at a below-bank rate, secured by a mortgage. If you do go for a joint family purchase, a solicitor experienced in property transactions becomes very important.

ASK YOUR QUESTION

If you have a question, email money@bauer-media.com.au or write to GPO Box 4088, Sydney NSW 2001. Questions need to be 150 words or less and you must be willing to be photographed. Readers who appear on this page will receive a six-month subscription.

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Rise of the low-doc loan

It's possible for the self-employed to get finance at a reasonable rate

BEST OF CLASS LOANS

PURPOSE	LENDER	INTEREST RATE	MAX LVR
Low rate	Pepper Money	4.39%	55%
Construction	AFG Alpha	4.56%	80%
Tax debt	Liberty Financial	4.84%	80%
Bad credit	La Trobe	6.19%	80%
High LVR	Pepper Money	6.95%	85%

Source: www.lowdocloanexperts.com.au

Living the dream of being your own boss may be costing you that other dream – home ownership. If you're one of our 1.2 million sole traders or 2.1 million business owners, then you'll know what I'm talking about: you've got no PAYG pay slips to prove your income, more than likely it fluctuates from month to month and your last tax return, which you probably lodged 12 to 18 months ago, does little to reflect where your business is now.

So if you prove your income, how do you convince a lender to give you a home loan?

The good news is that low-doc loans are making a comeback and, surprisingly, you don't have to pay through the nose to get one.

Canstar's analysis has found that, on average, a standard variable low-doc home loan will cost 0.63% more than the non-low-doc product. For a three-year fixed residential loan, the difference between low-doc and non-low-doc is 0.45% on average.

Of course, that's assuming you get a loan that falls under the protection of the national consumer credit protection code. There are many private lenders offering low- and even no-doc loans for non-coded purposes (think solicitor loans) but as Yannick Ieko, CEO and founder of Low Doc Loan Experts, says, "you can easily hit double digits for a non-coded no-doc loan".

Before the GFC you could have picked up a traditional low-doc loan on the back of a one-day ABN and an income self-declaration form but, as Ieko says, things have tightened up somewhat.

"The paperwork required will vary from just an accountant declaration to things such as BAS statements, trading account statements and personal account statements," he says. "Main-street banks are more likely to require all of the above while some non-bank lenders will be satisfied with just the accountant's letter."

As a specialist low-doc mortgage broker, Ieko says getting approval comes down to finding a low-doc lender that is favourable to your circumstances, as lenders do differ. "Non-bank lenders are likely to offer a higher loan-to-value ratio and to require less paper to evidence the income," he says. "Some of them are also able to assist with a wider range of purposes, such as the payment of tax debt or construction loans." (See table.)

You could argue that loans such as these encourage applicants to fudge figures (some of you may remember the tax office's "low-doc loan project", which raised $23 million in tax penalties in 2006 on the back of applicants who inflated income figures to lenders) but Ieko says it's a very different market today.

"Income is still verified, credit history is still checked, security is still professionally valued, and all the non-income-evidencing normal hoops and loops that apply to other loans are still part of the process."

While margins on interest rates may not be excessive, Canstar data does show that low-doc home loans tend to charge higher set-up fees than standard home loans. The other point to note is whether or not the lender will allow you to refinance to a standard home loan once you've proven your serviceability. Some don't.

What would make you change banking providers?

With new reports appearing every few weeks about the bad behaviour of the major banks, have you considered what it would take for you to leave a major bank?

According to Roy Morgan research, smaller financial institutions, and especially those that are customer-owned, report substantially higher customer satisfaction than the bigger players. But how important is a positive customer experience to you?

Many of us are too busy to think about moving from one institution to another until it's time to make a significant financial decision or life change, such as buying a new house, but it can pay off in both dollars and sense. If you think a more pleasant banking experience could make your life easier, or you'd like to save money, why not investigate a smaller institution?

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Finance expert and author of The Great $20 Adventure, *Money's editor Effie Zahos, appears regularly on TV and radio. She started her career in banking.*

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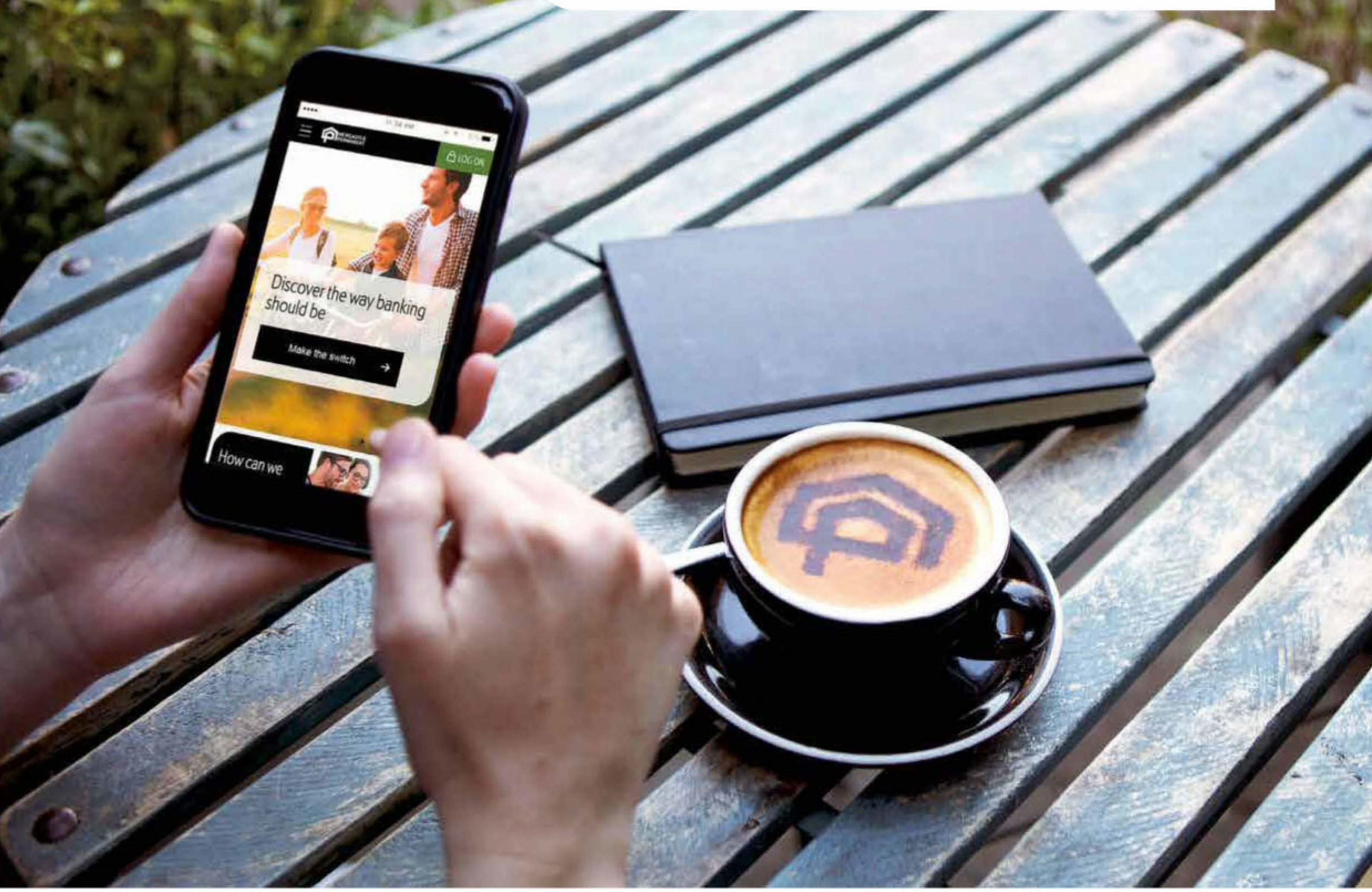

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Spread the message

A targeted, low-cost marketing strategy can boost your revenue

With the end of the year just weeks away, many small businesses will be working on their marketing budgets and plans for 2017. There are more ways to spend your marketing dollars than you can poke a stick at, so the key for business owners is to settle on activities that generate leads and revenues within your budget.

Avoid "spray and pray"

Many small businesses fall into one of two camps: those that are happy with an "ostrich approach" to marketing and those that take a "spray and pray" standpoint. By sticking your head in the ground and spending nothing on marketing, you run the risk of shrivelling up your sales leads. On the flipside, the "spray and pray" approach, which typically involves splurging money on advertising campaigns, websites, social platforms and so on, can prove equally futile.

Plan for success

Even if it's only a basic "one pager", a marketing plan helps focus your promotional and advertising efforts on those activities that are most likely to deliver the best returns. The next step involves establishing a budget and goals. At my business, Corpwrite, we're mapping out our marketing activities for the first three months of 2017. This includes a basic spending plan, which puts a limit on what the business will spend on marketing. If you're not sure where to start, seek some marketing advice. Contact your local Business Enterprise Centre as a starting point.

Embrace free technology

The key is to stretch your marketing spend as far as you can by using low-cost or free platforms. For example, free tools such as MailChimp automate the process of communicating with customers, whether it's by the use of an electronic direct mail (EDM) campaign, a newsletter or other marketing materials.

Email tools are perfectly suited to building a subscriber audience. In the first instance, they allow business owners to see the links subscribers have clicked, the communications they opened or ignored and, importantly, if anyone wishes to be removed from the list. Having an unsubscribe facility helps you avoid violating the Spam Act and possible legal expenses.

Utilise social media

Platforms such as Facebook and LinkedIn offer targeted campaigns to reach potential clients. A social media campaign can cost as little as a few hundred dollars. "Social media is a powerful, effective and, best of all, very low-cost way of amplifying your reach and generating new customers," says Linda Joannides, principal of marketing firm Your Marketing Mentor. "You can use it to attract first-time visitors with great content, as well as encouraging people to come back and form a relationship with your brand."

Create a network

Compared with many other marketing tools, traditional networking can be a relatively low-cost way to promote your business and its products or services. Many of the best networking opportunities come by means of free industry events or functions that are tied to a professional association, whether it's for accountants, architects, truck drivers or butchers.

Build a database

Not everyone you meet at a networking event is an instant sales lead. However, exchanging business cards gives you their key details, making them a genuine contact. "The most valuable tool you can build is a customer database and, better still, it's low cost," says Joannides. "Collect email and mobile contacts at every opportunity, including networking events.

"You can then reach out with blog posts, guides, videos and promotions. Mix it up so you're not predictable, and make it relevant to your market. A golden rule is always to make sure you have a 'call to action' in your posts – a 'ring now for a free quote', a special purchase offer for a limited time or an invitation to an event."

Anthony O'Brien is a small business and personal finance writer with 20-plus years' experience in the communication industry.

Hang out over the holidays

There are activities to suit all interests and ages – and they're free

Our children's summer holidays stretch over at least 50 days, and more if they are at private schools. How do you keep them busy – and away from the mobile, iPad and computer – without breaking the bank?

Luckily it's easy in summer to find activities that don't cost a fortune. Schedule in plenty of downtime as well as energetic outings. Talk to relatives, school parents and friends about pooling resources so that you can share the load when you are working. It is always easier to send the kids to football, swimming or drama camp if they have a friend.

HERE ARE 35 FREE SUMMER ACTIVITIES TO CONSIDER:

1. SWIM Visit the beach, ocean baths or river. Meet up with other parents or take your kids' friends.
2. WALK Find the best walks in your city and do them before or after the heat in the middle of the day.
3. GO LOCAL Check with your council for free community and holiday activities.
4. READ Visit the library and let your kids select the books they like. If they are young, read to them.
5. PLAY BALL Get out the cricket set, basketball, pétanque and other games.
6. PICNICS Pack a healthy lunch and head for your local park, beach or gardens.
7. MARKET DAY Browse all the markets selling fresh local produce, handmade crafts, secondhand treasures or food.
8. COOK Play *MasterChef*. Find a simple recipe, get your kids to make a shopping list, buy the ingredients, prepare the food and clean up.
9. CAMP Keep your holiday costs low by using your tent or borrowing one.
10. GAME ON Forget the screen variety, and encourage them to play hide-and-seek, hopscotch and cubbyhouses.
11. CARDS Teach your kids games that have instructions online.
12. MOVIE MARATHONS When the weather is poor, invite their friends over, make a big bowl of popcorn and draw the curtains.
13. JIGSAW PUZZLE Libraries often keep a stack of puzzles.
14. ART Let your kids go wild with paint, brushes and paper. Take sketchbooks on your walks.
15. WATCH BUSKERS Check out the various skilled jugglers, fire-eaters, monocycle riders in malls and tourist spots.
16. DANCE Let kids make up a dance routine to their favourite music.
17. BOARD GAMES Teach them Monopoly, Scrabble, chess or newer board games.
18. WRITE A SCRIPT Put on a play: rehearse, make costumes and perform it.
19. GO BUSH Get out in the fresh air, walk and take a picnic.
20. PEOPLE-WATCH Get out and about at popular spots.
21. SPOT WILDLIFE Visit national parks, research what animals and birds are plentiful, and then try to spot them.
22. FREE TRANSPORT Cities often offer free city travel, such as the Melbourne city circle tram.
23. ART GALLERIES At the main state art galleries the permanent collections are typically free. Some boutique galleries, such as White Rabbit in Sydney and the Australian Centre for the Moving Image in Melbourne, are free as well and so are plenty of small galleries.
24. MUSEUMS The permanent exhibitions are typically free but the special ones are likely to charge for entry.
25. RADIO Choose a radio station that your kids like or podcast fascinating programs.
26. SCIENCE Ignite your kids' scientific imagination with experiments, books and museum visits.
27. SCRAPBOOK OR ALBUM Pick a theme that is meaningful to your kids, get them to find images and paste into a scrapbook.
28. FESTIVAL TIME Attend free events put on as part of the many summer festivals such as the new year's eve fireworks, public art, concerts and plays.
29. MURAL ART TOUR There's some interesting art in city laneways and on buildings.
30. CYCLE Get on your bike and explore the many paths and converted rail trails.
31. FREE FILMS Often at art galleries.
32. GO FISHING Relax with a line dangling in the sea, lake or river.
33. PLAY DOUGH Look up an easy recipe for making coloured modelling dough.
34. VOLUNTEER Teach your kids about the importance of giving their time to help the less fortunate.
35. CRAFT Make Christmas gifts instead of buying them.

Susan Hely has been a senior investment writer at The Sydney Morning Herald. *She wrote the best-selling* Women and Money.

Where smart buyers look

Beyond the hot spots there are affordable areas with growth potential

Australians are besotted with residential real estate. Just look at the incredible ratings chalked up by *The Block* TV show! And many still want to invest in bricks and mortar despite scare talk about a bust.

There are plenty of markets that are not overheated, and those are the ones that savvy investors will turn to. Look to buy investment properties counter-cyclically in markets with strong fundamentals.

A good place to identify areas where prices are on the up rather than heading south is a reputable "property cycle clock". But remember the areas you choose should also be located near jobs and transport so there will be a good supply of tenants. Some regional areas provide this and are worth considering.

Adelaide and Bundaberg are among the places where prices have troughed based on Herron Todd White's October 2016 national property clock. (See "Month in review" at htw.com.au.) Investors brave enough to buy now in these markets could well benefit from long-term price growth.

After a rough period, Adelaide has begun to flourish, with the median house price rising 6.5% to $418,000 in the year to September 30, according to CoreLogic. The abolition of commercial stamp duty and the extension of stamp duty concessions on off-the-plan apartments are driving price growth in South Australia.

These initiatives are helping to create more jobs, according to the Property Council of Australia. Balancing that, job losses are expected as the car industry shuts down and analysts caution that investors should be selective. "Detached properties on larger allotments offered for less than $500,000 within 10km of the CBD are increasing in scarcity and are recommended as serious options for potential purchasers," says Herron Todd White (HTW), Australia's largest valuation firm.

Bundaberg, a coastal city 385km north of Brisbane, is expected to benefit from infrastructure projects that will bring more jobs to the region. Its median house price is a relatively low $284,000, making it attractive to investors who don't want to outlay large sums. And it also offers gross rental yields of 5% to 6%.

When it comes to units, Hobart and Cairns are among 14 areas that the HTW clock identifies as being in the early recovery stage. Others are Albury, Burnie, Devonport, Echuca, Gippsland, Hervey Bay, Launceston, Mildura, Mount Gambier, Shepparton, Tamworth and Warrnambool.

Hobart's house prices are rebounding after several years in the doldrums, rising 8.7% to an average of $325,000 in the year to September 30, according to CoreLogic. It's still the most affordable capital city and has attractive gross rental yields of around 5% to 6%. But be very selective as most analysts predict only moderate price rises over the next few years.

In Cairns low interest rates and tightening vacancy rates have contributed to a 19% rise in the median house price to $405,000 in the four years to June 2016. Strengthening local economic conditions and strong tourism growth point to a more buoyant employment environment. Overseas holiday visitors rose 15.2% to 800,000 in the year to June 2016 and domestic holiday visitors increased 20.1% in the same period to 1.1 million.

Despite recent findings of slowdowns in property sales volumes and the median house price in Cairns, HTW says that the longer-term fundamentals of the local property market "remain positive".

Melbourne, Brisbane, Perth, Canberra, the Gold Coast, the NSW Central Coast, Newcastle, Ballarat, south-west Western Australia, Toowoomba and Dubbo are no-go zones for investors. In these areas prices are at a peak or in a downturn.

Sydney, Australia's biggest housing market, where prices have boomed over the past few years, is approaching the peak, according to the HTW clock. Remember if a market's hot, it's probably too late and clever investors will be looking elsewhere for growth potential.

Pam Walkley, founding editor of Money *and former property editor with* The Australian Financial Review, *has hands-on experience of buying, building, renovating, subdividing and selling property.*

Negative equity

Investors in Melbourne high-rise apartments are carrying twice the risk of their properties falling into a negative equity position – owing more on their mortgage than the value of their property – compared with those in Sydney, according to Moody's.

The credit rating agency's figures, based on analysis of $28.7 billion of residential mortgage-backed securities, show that on average buyers in inner-city Melbourne have only 7.6% in "additional equity" since taking out a mortgage compared with 19.7% in inner Sydney and 10% in Brisbane.

A price correction of 13% would see a Melbourne apartment owner who borrowed 95% of the purchase price owning more on their investment than it's worth. In Sydney the fall would need to be 25%.

Rules for the new game

Investors who are nimble and decisive will capitalise on the opportunities

As an investor, you now have a choice. You can go to ground and seek cover, or you can take the optimistic view and hope things will get better – meaning the stockmarket. There are new rules to this game that you need to understand, anticipate and profit from.

1 There will be volatility, and you will not always be right

The set-and-forget days are gone. You need to be nimble and capable of acting quickly and decisively. Having easy access to cash and a trading system is vital. My example of this is not having 10 minutes spare on the day Donald Trump was being elected to buy shares when they were being dumped. Despite knowing there were bargains in healthcare and resources stocks – and the market was foreshadowing gloom when a new Republican president would ultimately be welcomed by capitalists everywhere – I didn't get the chance to act. The next day the Australian market has its best day in five years. You must act when the market spooks itself.

2 The outlook for interest rates is changing

For almost the past 10 years, interest rates around the Western world have been falling. When the US entered the GFC, it immediately cut the official cash rate to between zero and 0.25%. It has pretty much stayed there ever since. The Europeans did the same and so did Australia. But in the US, which leads the global markets, the picture is changing. After issuing trillions of dollars of government bonds, which created liquidity in its economy but crushed interest rates, bond yield rates are starting to rise with an improved outlook. But that also changes how you invest.

3 Rising rates equal a different strategy

As interest rates come down, the returns from banks, yield-based investments and property look more attractive. The reverse is also true. But rates rise when economic growth picks up – so opportunities still exist. In the long term, though, the higher the rates the lower the price of yield-based investments. What investors need to discover are growth-based businesses that are linked to an economic pick-up. Oddly, this can also include banks ... but do remember the higher the rates go, the greater the risks for all these investments, including the banks (especially their doubtful debt).

4 Donald Trump will create investment opportunities

With Trump comes volatility and divisiveness. But his is also a free-enterprise platform that will see government functions privatised and a massive emphasis on infrastructure. If Trump can take advantage of his political freedom (Republicans control the Congress and the White House) then it can see the US – and the world – up for a resurgence in growth and spending. If he gets it wrong (especially his plan to cut corporate tax rates from 35%-38% to 15%) then he will continue to blow out government deficits and debt, making the world more vulnerable to another economic shock. But that is for the future, if he gets it wrong.

5 Cash may not be your best friend

By this I don't mean it is bad to hold cash. But if you want to make the most of the potential opportunity that is coming, you need to have more of your money exposed to the growth areas. This means unlocking your cash pile and looking for those companies (some of them overlooked and underloved, for example the US construction sector and the mining services sector in Australia) that could turn around quickly if growth opportunities emerge and commodities prices start to rise.

6 Hold some gold as an insurance policy

Now to completely contradict myself. While holding too much cash will not maximise the opportunities that may come along, it is also wise to have a little insurance in case things do not pan out

the way America and Trump might hope. Gold will remain the ultimate store of value and if you are not confident in holding the physical stuff then buy shares in some of the Aussie gold producers (Newcrest and St Barbara among them).

I admit that I write this column with optimism for 2017 and the foreseeable future. But I also have trepidation that Trump will become a divisive figure and civil unrest will dog his term in office. For the first time in a long time, a Western political leader has the genuine opportunity to lead and implement change. It will be curious to see how that power is used, and whether it builds a stronger America and Western world. If it does, the investment returns will be handsome.

Ross Greenwood is Channel 9's finance editor and Radio 2GB's Money News host.

Share the tax savings

More couples stand to benefit from the strategy of splitting contributions

Splitting concessional contributions with your spouse may offer tax savings as well as earlier access to super. But first you have to understand the rules and decide whether it's worth doing.

A fund member can split up to 85% of their concessional contributions up to their cap each year. For 2016-17 the cap is $35,000 for those over 50 and $30,000 for younger members. It includes employer and salary sacrifice contributions.

CareSuper says couples use contribution splitting for two main purposes: to take advantage of the lower tax thresholds that may apply when drawing down a super benefit between age 55 and 60; or to access super earlier by redirecting contributions to an older spouse.

For instance, if a couple is thinking of retiring before 60 and taking all or part of their super as a lump sum, a splitting strategy would enable both spouses to take advantage of the low-rate tax threshold and withdraw the first $195,000 of the taxable component of the benefit tax free.

"If you are going to access your super between 55 and 60, only the first $195,000 is tax free," says Laura Menschik, a financial planner and director of WLM Financial Services. "By splitting the contributions to boost the receiving partner's balance, a couple can increase their tax savings."

Similarly, if the contributions are redirected to a spouse who is able to access their super earlier, taking a lump sum to pay off the mortgage or other debts may prove beneficial, says Menschik. But it requires some forward planning.

"With most people their goal on retirement is to be mortgage free and debt free. Using super splitting in that regard to pay off the mortgage is a good strategy," she says, providing the following example.

"The husband, 64, is still working full-time. The wife was a stay-at-home mum, then worked part-time and didn't have the capacity to top up her super. For the past five years they've been splitting his super up to 85% of the contributions to go off to her account. The wife, also 64, no longer works so she's met the condition of release. She can access her super tax free as a lump sum to pay off the mortgage."

Now that tax-free pension accounts are to be capped at $1.6 million from July 1, Menschik expects more couples will consider the strategy so they can even out their account balances "to keep them within that limit and keep their money within a tax-free environment".

To split your super you will need to ask your fund for the necessary paperwork, including a statement showing the concessional contributions you received in the previous financial year.

You can only split contributions made in the previous financial year. However, you can request a split for the current financial year if your benefit is to be rolled over, transferred to another super fund or paid out.

Not all funds permit super splitting, or they may allow it only if your spouse opens an account with the same fund. They may also apply minimums – for instance, a minimum split of $1000 – or refuse if it results in your account balance falling below, say, $5000.

"People have to check with their super fund that they can do it and that it can be received by their spouse's fund. Some funds will only do it if the spouse opens a new account with them," says Menschik.

SPLITTING RULES

Only concessional (before-tax) contributions can be split. You can split your super regardless of your own age but your spouse must be:

- Less than their preservation age (55 for those born before July 1, 1960) whether working or not.
- Or between their preservation age and 65 and not retired.
- Contributions cannot be split with a spouse who is over 65.

HOW OLD YOU HAVE TO BE TO ACCESS YOUR SUPER

DATE OF BIRTH	AGE[1]
Before July 1, 1960	55
July 1, 1960-June 30, 1961	56
July 1, 1961-June 30, 1962	57
July 1, 1962-June 30, 1963	58
July 1, 1963-June 30, 1964	59
From July 1, 1964	60

[1]Preservation age

Vita Palestrant was editor of the Money section of The Sydney Morning Herald *and* The Age. *She has worked on major newspapers overseas.*

Shares v property

An investment with fewer hassles and more income looks the better choice

Should you invest in shares or property? This has been an age-old debate in finance, but retirement can offer a whole new set of issues that need to be addressed. With constantly altering superannuation laws, Centrelink changes in January and average super balances teetering on inadequate, today's aspiring retirees have to consider if they're going to work longer or invest better.

For most people there's no question about how to invest their super because their fund doesn't allow for direct property investment, but there's nothing stopping you investing outside super.

Under super laws there's only 15% tax on earnings and 10% on capital gains for assets held greater than 12 months. For retirees over 60 with assets less than the proposed $1.6 million cap, in the pension phase there's no capital gains tax and no income tax on the earnings received from investments. On the other hand, assets held in your own name will attract taxes as high as 45% plus surcharges.

I must also point out that you can't touch your super until you're 60 if you were born after July 1, 1964, so if liquidity is more important that tax breaks then some diversity beyond the super regime may be important. In any case, it's always good to have assets diversified beyond just one entity for risk management.

Shares offer retirees strong income and low costs: you don't have to pay a real estate agent, nor are there maintenance costs and land tax bills. But shares can be volatile. What is less volatile is the income produced from shares, and when cash is paying a paltry 2.7%, then a dividend of 6%-7% (for example, the banks and Telstra) looks very attractive. And dividends tend to grow over time, often in line with the consumer price index, to ensure your income remains stable.

Shares also attract franking credits of up to 30% for tax already paid by the company. If you ordinarily don't pay any tax, then you can receive tax back, adding to your annual income. For example, if you receive a 5% dividend on a stock that is fully franked, then you can receive an additional 2.14% (or a total of 7.14%) on your money. I often see investment income from property owners at around 2% or less despite solid growth, but growth doesn't pay the bills for retirees.

Many of the larger industry super funds now offer direct share ownership so you can own shares in listed companies such as Westfield and Stockland but you can't own direct property. These stocks can provide diversity without having to establish an SMSF and deal with its onerous responsibilities and costs.

You'll need an SMSF to own direct property and, despite the added expense in establishing and running a fund, it can be highly rewarding in a rising property market for the right investor. The right investor is usually someone capable of maximising their super contributions and with a solid, stable and growing income.

If you want to borrow money, you will need a structure called a limited recourse borrowing arrangement, which can add another $1500 or so to costs. (The tax office has a series of great videos explaining how to manage an SMSF if you need some help.)

Borrowing money magnifies gains but it also magnifies losses when markets turn, and they always turn at some point.

Some investors like the tangibility of property and the potential to use borrowed funds to invest. So, too, many investors like the ease and consistency of share dividends without the hassles of vacancies, high costs and low income that are typical of property ownership, unless you have plenty of money and you can afford the diversity.

I reckon property is a great wealth builder for younger investors but shares provide a stable income in retirement. So for young people with good, stable and growing incomes, property might be a good combination with shares.

But retirees will be better served with higher income and less hassle. Of course, great advice can ensure your strategy is well suited to your personal situation, so chat to an unaligned adviser today to work through a strategy that meets your needs and goals.

Sam Henderson is CEO of Henderson Maxwell, a boutique financial advisory firm.

Unfortunately growth doesn't pay the bills for retirees

Tips for my toddler

STORY
GREG HOFFMAN

In a letter to his young son, the writer provides investing guidance for the future

Dear Son, I've left you an amount of money that should either help you pursue your interests or be a backstop if something unexpected occurs. This letter is "just in case" I don't live long enough to see you come of age and it's about investing.

Your gut reaction to the word "investing" will determine where you go from here, so I've imagined your three most likely responses.

1. No interest

The first is that it turns you off completely. Perhaps your interests and aptitudes lie elsewhere and the world of finance and investing is something you actively dislike or at least have no desire to learn about.

So, now you have access to this money but little interest in managing it. That's OK. I hope that one of the things you've learned in life is that delaying gratification can be rewarding.

That being the case, I recommend a one-off effort to follow this advice. After that, things should be relatively simple. I'm asking that you educate yourself on the importance of costs as they relate to investing. Read John C. Bogle's book *Common Sense On Mutual Funds: New Imperatives for the Intelligent Investor.* Don't worry if you don't grasp it all but the recurring message is a crucial one for anyone in your position: understand why costs matter so much to an investor and where you might find funds that minimise them. Then you'll be in a stronger position to invest the money passively in an effective manner.

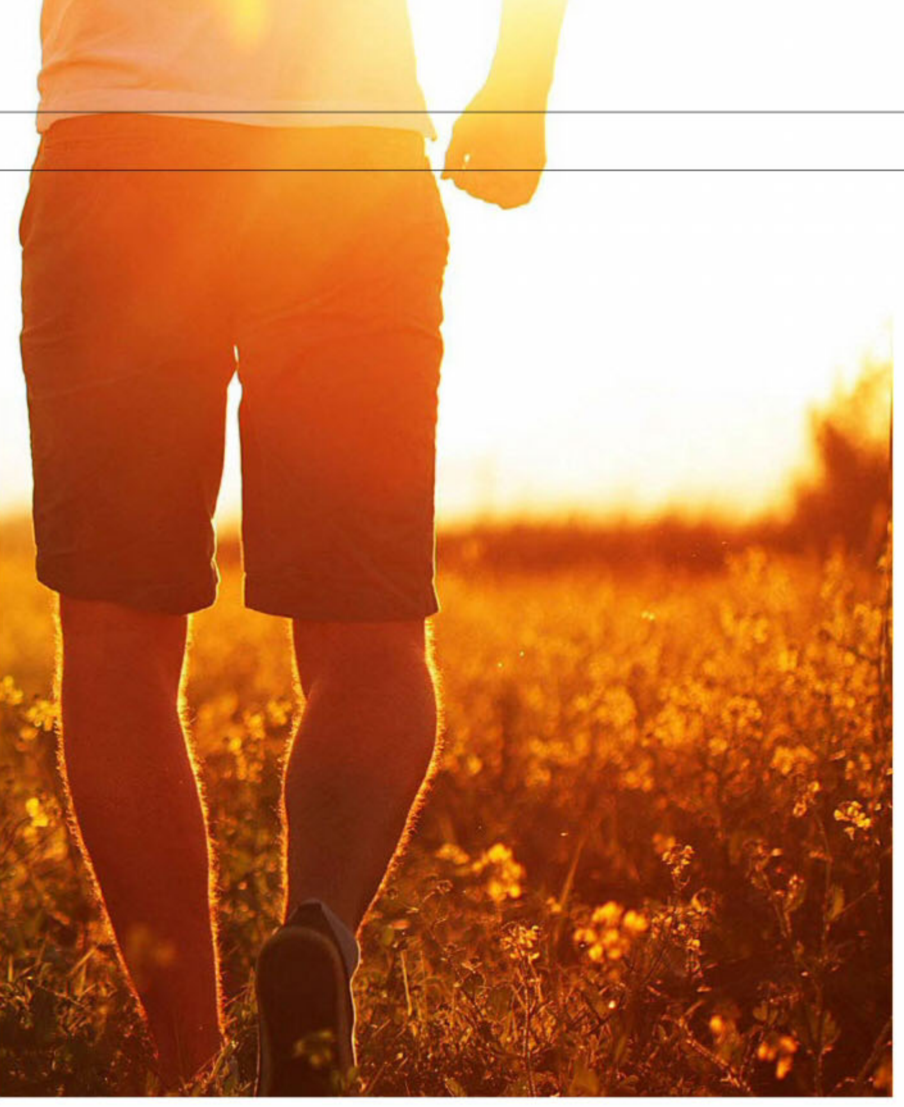
Combine this approach with a good accountant who can keep track of any distributions the funds pay and advise you on the best way to invest (in your own name, for instance, or through a company or trust, etc). And that's about it.

With this set-up, the money should grow over the years and be there if you ever need it while imposing only a minimal administrative burden on your life.

2. A passing interest

What if you have a passing interest in investing? In this case, I recommend identifying a couple of talented fund managers who are applying a value-investing approach to the sharemarket.

The place to start is the book that changed my life, *Buffett: The Making of an American Capitalist* by Roger Lowenstein. It's an easy read that introduces the core concepts of value investing without being dry or theoretical. You'll get a flavour for the different value-investing approaches and some of the quirky personality types who often ply them. After that, find a copy of an essay by Warren Buffett titled *The Super-investors of Graham-and-Doddsville.* You can find it on the internet or in an appendix to many versions of *The Intelligent Investor* by Benjamin Graham.



In it you'll see the track records of several successful value investors. Pay close attention to those records, especially Charlie Munger's. Have a look at his returns year by year and note the results from 1973, 1974 and 1975. This kind of variation (-31.9%, -31.5%, +73.2%) is also reflected in the results that I have achieved. I'm not comparing my intellect to Munger's, just my investing style (to invest heavily in my best ideas).

Even ultimately successful value investors can go through difficult patches where their results lag the market for years. But if they're applying the philosophy well, then over time you are likely to be fine unless their fees are unfair.

Some talented money managers have rapacious fee structures. Their investors may still do OK but my preference is for managers who go out of their way to look after their clients' interests. They are rare but I believe you will be able to find them if you look.

I expect there will always be great fund managers out there hungry to prove themselves not for the money but mostly for the thrill of "the game". Probably they will be running smaller funds (which is a significant advantage). Find a couple of talented, hungry managers who are charging fair fees and invest a meaningful amount with them for the long term (they should be significant investors in their own funds, too). Perhaps leave a fifth or sixth of the money in cash as an emergency fund and then hand the rest to the fund managers you have selected. Give them at least a few years to perform and don't be shy to provide encouragement, especially in the tough times. But make it general in nature. Don't second-guess their individual investment choices. Once again, you'll need a dependable accountant.

> **Find a couple of talented, hungry managers who charge fair fees**

3. Got the bug?

If you get butterflies in your tummy when you hear the word "investing", then you've probably got the bug, like your old man. I've given much of my life to financial markets. From age 18 until 33 I probably averaged at least 12 hours a day either working within financial markets, formally studying them or informally educating myself. While I wouldn't necessarily recommend that, when you're as consumed by a passion as I was for investing, you can hardly stop yourself.

If this sounds like you, then I recommend reading the greats. Start with the Buffett biography I mentioned earlier but also read every one of his letters to Berkshire Hathaway shareholders (in chronological order, from the earliest). Read speeches given by Munger. Read *Fooled by Randomness* and *The Black Swan* by Nassim Taleb. Both James Grant (of *Grant's Interest Rate Observer*) and Jeremy Grantham have played important roles in shaping my approach.

There are plenty of others but you'll find them yourself if you're on this path. In terms of formal learning, study accounting. Also try to acquire a good basic knowledge of commercial law and psychology.

Collective delusions and crowd psychology play dominant roles in markets from time to time. Just in my lifetime we've had the 1987 sharemarket crash, the "dot-com" bubble and the GFC.

Such cataclysms represent life-changing opportunities for the prepared value investor. At these extreme points, much wealth changes hands. Learn how to position yourself to take advantage of the handful of such opportunities that will arise in your lifetime.

Being conservative with debt is a big part of it (I haven't borrowed from a bank in almost 20 years). Having the financial capacity is step one. But having the right psychology is also crucial. Buying amid panic can be deeply disconcerting.

I don't want to get too "out there" but cultivating ways to control your own mind's excesses will help. This might be through some form of reflection or meditation, performance coaching or even physical exercise (read Josh Waitzkin's *The Art of Learning* for some insight into this).

Finally, when you "click" with someone else who has the value-investing bug, make an effort to keep in touch. Having like-minded people to grow and learn with is invaluable, not to mention fun. And while you're at it, enjoy your ride on this planet. I did.

Love always, Dad

Greg Hoffman is non-executive chairman of Forager Funds Management. He is also an independent financial educator, commentator and investor.

Shares show promise

The politics could be messy but the economy looks solid

It has been another rough year for investors. It started very messily with sharemarkets falling in February due to worries about Fed rate hikes, China, global growth and strengthening deflationary pressures. While these fears receded and sharemarkets staged a rebound, the uncertainty lingered on the back of political events including the Brexit vote, the US election and the close Australian election outcome along with falling profits in Australia.

No doubt 2017 will have its share of political uncertainty. In particular, key elections in Europe will keep eurozone break-up fears alive and uncertainty will at least initially be high around President Trump's economic policies. And worries about the Fed, Chinese growth and the impact in Australia as the property construction cycle starts to turn down, along with concerns about how much bond yields will rise, will no doubt keep investors on their toes.

However, there are several reasons why shares are likely to do reasonably well in 2017 despite the usual worry list.

First, the global economy is likely to continue muddling along and Australian growth remain solid. A year ago global business conditions surveys (or PMIs as they are now commonly called) were trending down, whereas through 2016 they trended up and are at levels consistent with global growth of around 3% or slightly more. Fiscal stimulus and deregulation under Donald Trump may also support US and hence global growth (assuming he doesn't push too far down the path of protectionism). In short, there is no sign of the much-feared global recession.

Similarly in Australia, while the housing cycle will start to roll over the impact on overall economic growth will be offset by a slowing drag on growth from the fall in mining investment as the latter reaches past cycle lows, and an end to the drag on growth from falling commodity prices. This, combined with reasonable growth in consumer spending and export volumes, including for services, should keep Australian growth around 3%.

Second, if recession is avoided the profit outlook should continue to improve. There are some pointers to this: US earnings have risen for two quarters in a row and revenue growth has turned positive and will be helped in future by improving household income. And Australian profits should return to growth this financial year as the impact of last year's plunge in commodity prices falls out.

Third, global monetary conditions are likely to remain relatively easy. Yes, the Fed is expected to raise interest rates further in 2017 but Europe and Japan won't raise rates at all and will continue with easing policies, China is likely to keep monetary conditions relatively easy and in Australia we see a good chance of another rate cut. These in turn will all limit the extent to which the Fed will raise rates to maybe just two hikes. While the abatement of deflationary pressures probably means that bond yields have seen their lows, the rise in yields is likely to remain gradual.

Fourth, sharemarket valuations are not onerous for a low-rate world. While price-to-earnings multiples for some markets are a bit above long-term averages, valuation measures that allow for low interest rates and bond yields show shares to be cheap.

Finally, political worries will remain but are unlikely to derail the global economy or markets in a lasting way. A break-up of the eurozone is unlikely for the simple reason that the populace of its member countries are far more committed to it than the UK was to the European Union. Similarly, last-minute compromises in the US on the debt ceiling will be reached again as no side will allow the US to default on its debt. And in Australia the economy will continue to do OK despite relatively dismal political leadership in line with Donald Horne's observations of the 1960s in *The Lucky Country*.

Shane Oliver is head of investment strategy and chief economist at AMP Capital.

JOHN TIEDEMANN

The getting of wisdom

Investors need a disciplined process to help them decide which stocks to buy

I read a lot of stuff about traders and fund managers. There is nothing I love more than someone going through the same stresses as I do explaining how they find their way, because investment needs process. Fund managers have to have process – it's why they exist – because investment doesn't suit the seat of your pants. So let me pass on some of the common wisdoms I distilled from a number of fund managers.

Valuation

You have to have some concept of value. You may want a Ford Falcon XR8 – it's a good looking car – but you need to know it costs $51,990 before you pay $60,000. With stocks you don't have to do a discounted cash flow valuation yourself because valuations are available from many online investment providers and brokers. We include them in our unpatented "stock boxes" on each stock on our website. Valuations include a lot of rubbery assumptions but you can still get a concept of what something should cost before you pay for it on the market.

Management

The management tells you a heck of a lot about an investment. You are looking for management who have the same interests as a shareholder, because then they are working with you, driven by the company's success and leveraged to the same outcome as you. How much stock do they hold? Are they passionate? A quick internet search is all it takes. Some managers have a history of going from company to company. Others have lived and breathed the company since the first day. A great bonus these days is the webcast on results, the videos on their websites. Get a feel for who is captaining the ship.

The business

Some analysts are big on what they call the "moat". It reflects how protected a business is from its competition and works on the concept that the wider the moat, the more secure the earnings stream. For instance, Telstra, Woolworths, Coles and the big banks are all companies that used to have wide moats that are now increasingly threatened, with share price falls to match. Moat is a bit more ethereal than value or management but you can generally assess it if you read the research and understand the business.

Other people's opinions

There are a lot of researchers out there who know a lot more about a company than you will and a lot of their work is available. So search out the research. Find out the opinions. Look for which stocks are being bought by the best fund managers. It's all on their websites and the companies themselves love making a lot of information available, meaning there is a lot of informed comment you can access from the comfort of your own home. But a tip about research. Get the value out of what it teaches you but ignore the recommendation at the top – that's the bit that you have to work out for yourself.

Traditional fundamentals

Don't put too much weight on price earnings and yields, as many do. They can mislead you a lot of the time. For instance, a high yield often means it's a stock that has no growth or has gone down a lot, rather than being a cheap stock. You need an awareness of the numbers but don't take instructions from them.

Balance sheet

This is more important. Try to get your head around debt and cash flow because if it's an issue it can distract and obsess management and it heightens risk. Debt changes a company. Just make sure it's not a problem. Filtering simply on the basis of the debt-to-equity ratio has to improve your odds.

This is about as far as many investors go, doing a lot of work to pick a stock. But the truth is that while all this filtering is commendable and moves the odds more in your favour, you do not control the outcome and anything can happen after you have paid your money. The unexpected does happen. All you've done so far is decide which Falcon to buy and what you're prepared to pay for it. The next bit of the process is knowing how to drive it, how to service it and, of course, when to sell it. That, I'm afraid, is the subject of a much longer and more technical article.

Marcus Padley is a director of financial services company MTIS Pty Ltd and the author of stockmarket newsletter Marcus Today. For a free trial go to marcustoday.com.au.

SECTOR HEALTHCARE

A revisit to the hospital

An aging population will keep the surgeons busy in private facilities

During 2016, we have provided an insight into the competitive dynamics and aggregate prospects of the main industry sectors – from financial markets to supermarkets – listed on the Australian stockmarket.

Any experienced value investor would know, however, that finding value in 2016 has been difficult. Indeed, I cannot readily recall a time in my career when so few opportunities were available. As a result we have been building cash and urging others to speak to their advisers about the possibility of large price falls, which would make the 2% earned on cash look like a comparatively attractive option.

We accept that cash creates a drag on performance during rising markets and it can burn a hole sitting in your pocket, tempting you to stray from the patient investing path. We have, however, not been persuaded to diverge from our investment style, philosophy or process and so our column has not been replete with buying opportunities.

Fortunately, that has been prudent because in the past month or so several very high-quality businesses, and those with strong long-run growth prospects, have announced issues of a temporary nature that have been treated by the market as permanent.

When that happens, shares prices fall precipitously and value emerges. We note also Warren Buffett's Berkshire Hathaway is holding a record $110 billion in cash. When Buffett has lots of cash, it also suggests few investment opportunities and therefore an expensive market.

This month we revisit one sector where value might have emerged. We believe Australia has few sectors with as clearly bright prospects as healthcare.

An ageing population – the number of those aged 65-74 will double in the next 15 years, as will the number of those aged more than 85 – as well as a generation who took up aerobics and jogging for the first time, and a nine-month waiting list at public hospitals, will essentially guarantee a conga-line of elective surgery admissions to private hospitals. Admissions are also known as "separations".

In 2014–15 there were about 10.2 million separations in public and private hospitals. Between 2010-11 and 2014-15, the number of separations in all hospitals increased by 3.5% on average each year, and by 4% for private hospitals. The aging population means the number of the separations is growing at a faster rate than the population, which grew by just 1.6%pa over this period.

In 2014-15 about 41% of separations were for people aged 65 and over. Public hospitals accounted for most childbirth separations (75%), medical separations (73%) and emergency admissions (92%). Private hospitals accounted for 60% of surgical separations. Between 2010-11 and 2014-15, elective admissions involving surgery (there were 2.1 million in 2014-15) rose by an average of 2.4% a year.

Of course, this growth is well understood and reflected in generally very high earnings multiples in the healthcare sector. When a business then fails to meet the market's expectations, as Healthscope did recently, it tends to be reappraised harshly with many investors shooting first and asking questions later.

Healthscope stated: "Various data points across the industry tell us that the average rate of hospital volume growth generally has slowed. We have seen this impact a number of our hospitals, resulting in increased variability in volumes and case mix month to month in the first quarter and particularly in September. Management focus continues to be on driving revenue growth and disciplined cost control."

The company added that were conditions in the first quarter to continue for another three quarters, earnings growth, as measured by EBITDA (earnings before interest, tax, depreciation and amortisation) would be flat year on year.

Given that consensus analyst and therefore market expectations were for greater than 10% growth, it is understandable that the shares would be derated.

We know the trends for elective surgeries – for which private hospitals dominate – coincide with the ageing population. When asked in a subsequent interview with *The Australian* about the share price reaction, Healthscope chairman Paula Dwyer and boss Robert Cooke said: "That's an overreaction. We have taken a really cautious view to our outlook statement and we are talking about a couple of per cent of volume.

"The crazy thing about this is that you have waiting lists of nine months in the public sector, you then have the federal government getting billed for radiology, pathology and other things – so it's cost shifting by the states. Then they go and build extra beds for $2 million to $3 million per bed – we can build them for $1 million."

As long-term value investors, we aren't concerned with the monthly, quarterly or even one-year changes to admission numbers. The long-term trends are intact and we believe any diversion from these trends represents noise.

Roger Montgomery is the founder and CIO at The Montgomery Fund. For his book, Value.Able*, see rogermontgomery.com.*

Prices as at close of business, 11-Nov-16.

❶ Healthscope Ltd

ASX code HSO
Price $2.33
52wk ▲ $3.17
52wk ▼ $2.12
Mkt cap $3.93b
Dividend 7¢ (2016)
Dividend yield 3.18%
PE ratio 22.40

BUY

Healthscope is the second largest operator of private hospitals and is investing heavily to accommodate our growing demand for healthcare. It not only provides services more economically than the public system, it is able to construct facilities at lower cost as well, which is compelling for governments as pressure mounts from rising private healthcare premiums and longer waiting lists.

Despite positive underlying trends, Healthscope disappointed the market by announcing weaker volumes in the September quarter, which when annualised could translate to flat earnings growth for this financial year. Its share price subsequently fell 30%, yet the weakness seems to be industry wide and not specific to Healthscope.

When it comes to the highest-quality prospects, we feel the market is offering value by treating a temporary setback as permanent. The demand for healthcare will rise for many decades, and for an experienced and major operator like Healthscope, this should translate to increasing volumes, expanding margins and ultimately strong earnings growth for shareholders over the long term.

❷ Ramsay Health Care Ltd

ASX code RHC
Price $72.58
52wk ▲ $84.08
52wk ▼ $55.84
Mkt cap $14.56b
Dividend $1.19 (2016)
Dividend yield 1.64%
PE ratio 33.35

BUY

Ramsay is one of the world's top private hospital operators. It has been a stellar performer on the Australian sharemarket with a track record of providing shareholders with solid returns. In the past 10 years the shares have provided an average total shareholder return of 24%pa. Ramsay delivered a net profit after tax of $481.4 million for the year ended June 30, 2016, which was a 16.8% increase on the previous year.

Ramsay has hospitals in Australia, the UK and Asia, and has acquired hospitals in France, where medical supplies are cheaper to source than in Australia. The group's size has allowed management to negotiate meaningful savings with global suppliers for medical supplies, which should support Ramsay's domestic earnings amid the ongoing healthcare reviews by the Australian government. Ramsay is also using its global buying power to pursue economic returns in pharmacies.

Although Healthcare volumes were weaker across the industry in the September quarter, Ramsay has reiterated its existing guidance for this financial year of 10%-12% growth in earnings.

❸ Sirtex Medical Ltd

ASX code SRX
Price $28.18
52wk ▲ $41.33
52wk ▼ $25.10
Mkt cap $1.62b
Dividend 30¢ (2016)
Dividend yield 1.06%
PE ratio 30.07

BUY

Sirtex has developed tiny radioactive beads, which are injected into the blood stream, designed to attack liver cancer. They have been used by oncologists for over a decade, mainly for salvage therapy, and management is working hard to broaden the application. Fiscal 2017 is expected to see the total number of doses approach 14,000. A revenue estimate of $260m, around double the fiscal 2014 figure, should yield an after-tax profit of $50m or EPS of 87¢, while dividends should jump to 40¢ per share.

While the salvage setting should see dose sales double over the medium term towards 30,000, the real upside for the company is whether it can persuade oncologists to use the therapy as a first-line of defence. If successful, and given this is a significantly larger market, Sirtex is likely to become prey to the likes of pharmaceutical giant Roche, maker of the highly successful drug Avastin.

The bullish case for Sirtex is to eventually deliver first-line therapy to around 20% of the cases of metastatic colorectal cancer and another liver cancer, hepato-cellular carcinoma. This would have the potential to add at least 90,000 doses a year to the 30,000 for the salvage therapy.

SKAFFOLD **Chris Batchelor**

Rules for rough times

When it all goes pear-shaped, it's important to stick to your strategy

If you are a bit of a nervous Nelly when it comes to investing, then 2016 may have given you an ulcer. It began with a dramatic sell-off across markets in January and February, when investors panicked that the China growth story was over. Calm returned mid-February and the market rallied strongly through to June, when the UK surprised everyone by voting to leave the European Union. That panic was short-lived, and markets continued their upward trajectory until the end of July. Reporting season was OK but not sensational and the market tracked sideways, then dropped in early September, rebounded, then dropped again in October and early November.

Right now there is considerable anxiety about the election of Donald Trump, the uncertainties around Brexit and a slew of earnings downgrades. In just one week, Vita Group dropped 30%, Adairs dropped 40% and Flight Centre issued an earnings downgrade and dropped 7% on the day.

With all of this going on, many people panic first and think later. A better approach is to stick to your process, which hopefully you formulated in calmer times, and systematically manage your portfolio through the turmoil while looking for opportunities. Here are a few rules to help chart your course when things get rough.

Deal in facts, not hope

The financial statements present you with the facts of a business. The CEO's presentation may contain a lot of hope. The fact is the company is spending more money than it makes. The hope is next year it will achieve 15% sales growth. The fact is operating cash flow is one third of reported profit. The hope is one day the cash will eventually be collected.

Take the plaintiff litigation firm Shine Corporate. It was recording strong profits; however, its operating cash flow was typically about a third of the profit figure. A large portion of Shine's business is pursuing damages claims on behalf of its clients. Shine is paid on the successful outcome of the claims, which means that cash is received once the claim has been settled, which may take years. However, in accordance with accounting principles, revenue is recognised as the work is performed and therefore so is profit. This is fine provided the cash is eventually realised; however, there is always an element of uncertainty.

To determine how much revenue to recognise from each case, Shine makes assumptions about the likelihood of a successful outcome. In January 2016 it acknowledged that these assumptions had been overly optimistic and took a significant writedown of profits. The share price plummeted. The fact was the cash flow figure was correct but the profit figure was based in hope.

Don't set and forget

The adage that you buy shares in a good company and then put them in the bottom drawer for 10 years is not a recipe for success. While you don't need to obsess about every price movement, the fact is things change. A business that makes great profits may not continue to do so. A new disruptor may come along and build a product that makes your company obsolete. New competitors may upset the status quo. New management might change the strategic direction, or it may take on a pile of debt and find itself in a hole.

A case in point is Woolworths, once considered a model of a well-run business. In recent years it moved into hardware to challenge Bunnings. That has proven disastrous and ultimately cost the company billions of dollars. At the same time a new supermarket competitor in the form

of Aldi arrived and has changed the competitive landscape. Had you bought Woolworths shares back in 2012-13 and then gone to sleep, when you woke up in 2016 you would have been very disappointed.

Don't be obsessed with dividend yield

In 2015 BHP Billiton had a dividend yield of over 7%. A great investment if you require income, right? Wrong. A dividend yield is only good if it is sustainable. Dividends need to be paid out of profits. If profits fall then ultimately so will dividends. Some companies will keep their dividends artificially pumped up, trying to attract income investors with their high yield by paying more in dividends than they earn in profits and funding it with debt or cash. But sooner or later it catches up with them. BHP slashed its dividend by 75% in 2016.

Operate on value, not fear and greed

The best way to make money is to buy stocks when they are trading below their value and sell them when they are trading above. Unfortunately, many people do the opposite. As prices rise, people get more and more excited. Greed takes over and everyone is trying to get on the bandwagon. The price rises well above the value. This is exactly the time to be selling.

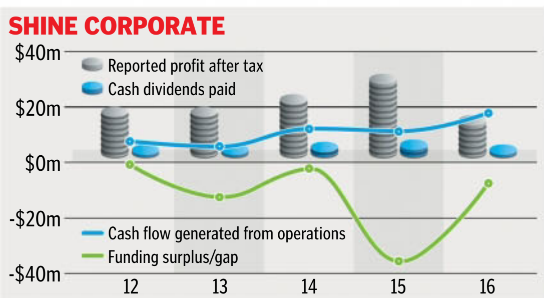
The opposite can occur when prices fall. The business may be sound – make sure you check that it is – but prices are falling due to overall market sentiment. Fear takes over due to political uncertainty in Europe or the US or some other macro factor. People are selling in fear as the price falls well below value but it is actually the perfect time to buy.

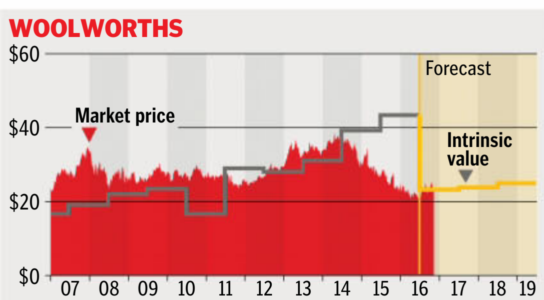
Don't overpay

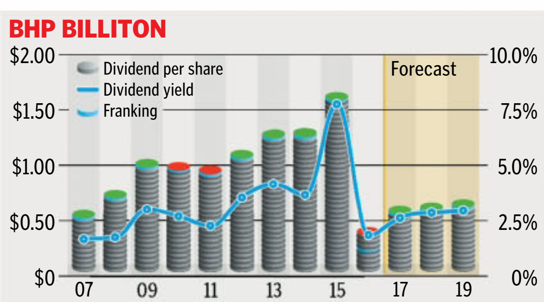
A great company is not always a great investment. If you pay too much for a stock then the business may continue to be very profitable but your return on investment will be mediocre. Market prices eventually return to equilibrium levels.

To make sure you are not one of the ones getting swept up in the herd, make sure you have a plan. Then all you need is the discipline to stick to it when the market seems to be going crazy all around you. It can be harder than it seems.

Chris Batchelor is a founder and the managing director of Skaffold.







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If there was ever an issue that could help you make or save some serious coin, then this is it. For the biggest savings it's hard to go past home loans. As Mitchell Watson, from Canstar, says, the average standard variable rate is more than 1% higher than the lowest. Identifying standout asset classes is made all the more easy with our award-winning investment products. If you're not sure what you're paying for your mobile phone plan, our Best-Value Mobile Phone – High Usage winner costs just $34.95 a month and comes with 8GB of data.

As Watson says: "These awards are about highlighting the products that are leading the way in their space. These are the products that are going to help consumers get ahead, be it by having the cheapest home loan or the best-featured online broker to help you make informed investment decisions."

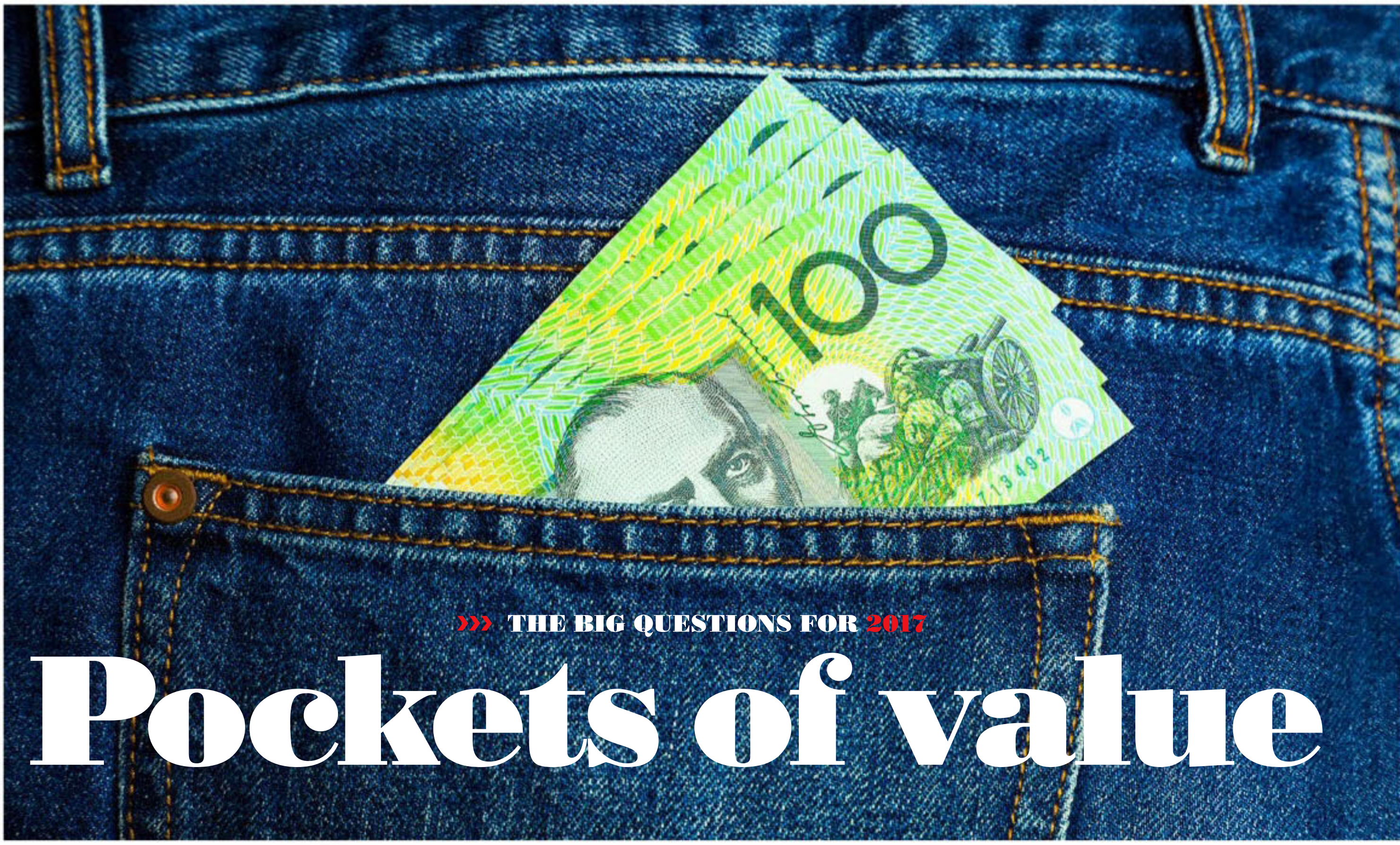
This awards issue would not be possible without the help of seven research houses under the direction of *Money*'s deputy editor, Maria Bekiaris. "We've been doing this for 16 years and we pride ourselves on ensuring the methodology reflects our readers' needs, the research houses are the best in the business and, most importantly, you end up with an issue that can help you build your perfect suite of financial products," says Maria.

INVESTING

BANKING

SPENDING

ANDREW FINLAYSON



››› THE BIG QUESTIONS FOR 2017

Pockets of value

David Bassanese
Chief economist, BetaShares

WHAT WILL BE THE STANDOUT SECTORS IN 2017 AND WHAT ISSUES DO INVESTORS NEED TO WATCH OUT FOR?

Identifying a standout asset class in 2017 is challenging because of the dramatic influence that lower bond yields have had on asset valuations over the past year. Most asset classes – bonds and equities – are already expensive and could be challenged if bond yields continue to rise through the year.

One of the most critical issues that investors need to look out for is the extent to which bond yields rise further. In such an environment, having some cash on the sidelines – both for downside risk protection and buying power once assets get cheaper – would not be a bad option. Investors might also consider equity-related exposures that provide some downside protection, as is possible via the ASX.

Rising bond yields also imply a likely sector rotation out of the long popular defensive yield plays such as utilities, listed property and telecommunications, and towards sectors with solid earnings potential, such as US technology, which can be accessed locally through a NASDAQ 100 exchange traded fund (ASX: NDQ). Unloved global banks should also do well, as rising global bond yields make it easier for them to make money.

In Australia, banks have largely been neglected over the past year and also offer relatively good value, especially if stubbornly low inflation causes the Reserve Bank to cut interest rates further.

Apart from rising bond yields, relative currency movements are another factor investors should watch out for. Rising US interest rates and a likely easing back in commodity prices suggest risks to the Australian dollar remain to the downside, meaning some unhedged exposure to international assets – equities or simply foreign currencies, such as via a US dollar ETF – would be prudent.

A rising US dollar should also favour the European and Japanese equity markets, as a weaker euro and yen should improve the export competitiveness of their economies. Hedged currency exposure to both these markets is also possible via the ASX.

As always there will be myriad political risk factors to occupy investors' minds, such as how the new US president deals with Congress, the rise of anti-EU nationalist parties across Europe and any potential leadership threats to prime minister Malcolm Turnbull. And while China's economy continues to chug along, rising debt levels and overcapacity problems suggest an element of caution is still warranted with regard to commodities and the resources sector in general.

PROPERTY

A-REITS HAVE HAD SUCH A GREAT RUN – IS THIS SET TO CONTINUE OR CAN WE EXPECT A DOWNTURN?

The A-REIT index has provided an annual 19.58% return over five years. So is the sector still likely to outperform?

Well, since the GFC average gearing is down to 28.5% (compared with 40% then), the focus has returned to property management and exposure to overseas property has dropped nearly 50%. So the sector has returned to what it does best.

However, the biggest difference is the comparison of forecast dividend yields at 4.6% compared with the 10-year government bond rate of less than 2%. Before the GFC the comparison was 5.6% versus 6.05% respectively.

You will continue to see some weakness on any rise in interest rates but if you concentrate on the fundamentals of the sector – the lower gearing, low vacancy rates across the main retail and office markets in NSW and Victoria, and low bond rates – then it would be prudent to maintain or build your exposure to the A-REIT sector as a long-term investment, but remain well diversified.

Liam Shorte
Director, Verante Financial Planning

ETFs

IT'S BEEN ANOTHER BIG YEAR FOR ETFs AND SMART BETA HAS BECOME A BIG THING. WHAT ELSE IS COMING?

Competition between funds and the variety of product offerings available reflect an ETF market that is already highly dynamic. But the biggest developments may yet lie ahead. Product flexibility, low cost and transparency continue to appear to drive interest, and now active fund managers seem keen to access another distribution channel.

Following in the footsteps of Magellan, AMP Capital has formed an alliance with BetaShares to launch a range of exchange traded managed funds aimed at the SMSF market. This trend is likely to continue, as major names recognise the potential benefit of making popular funds available to a wider audience.

Smart beta products have proven popular overseas and are now being launched in Australia. These developments may provide greater transparency to the funds management industry and may offer new ways for self-directed investors to blend their portfolios without sacrificing control. (See page 12 for disclaimer.)

Michael Elsworth
General manager, alternatives and specialised research, Lonsec

TECHNOLOGY

WHAT DISRUPTORS HAVE STOOD OUT IN 2016 AND WHAT CAN INVESTORS EXPECT IN THE NEW YEAR?

Automation in the financial services sector is disrupting the way people invest and traders work. For stock traders and firms, the standout development in 2016 was the expanded use of analysing software, such as Kensho, that delivers daily market predictions and analysis reports. The use of software such as this is only likely to increase.

On the investor side, new technologies and robo-advisers have enabled small, self-managed investors to better track and automate portfolios. Start-ups are also emerging, changing the way Australians invest. One such start-up invests customers' spare change automatically into a diversified portfolio.

In 2017, Australia is likely to see disruption in how we pay for goods. Apple Pay on the iPhone is already available for customers from one bank, with the others expected to negotiate and implement similar technology in coming years. One-card systems that allow people to use a single card for everything from public transport to groceries are already used internationally.

Professor the Hon Stephen Martin
Chief executive, CEDA

DOWNLOAD NOW

SIMPLY WALL ST
Cost: free
OS: iOS and Android

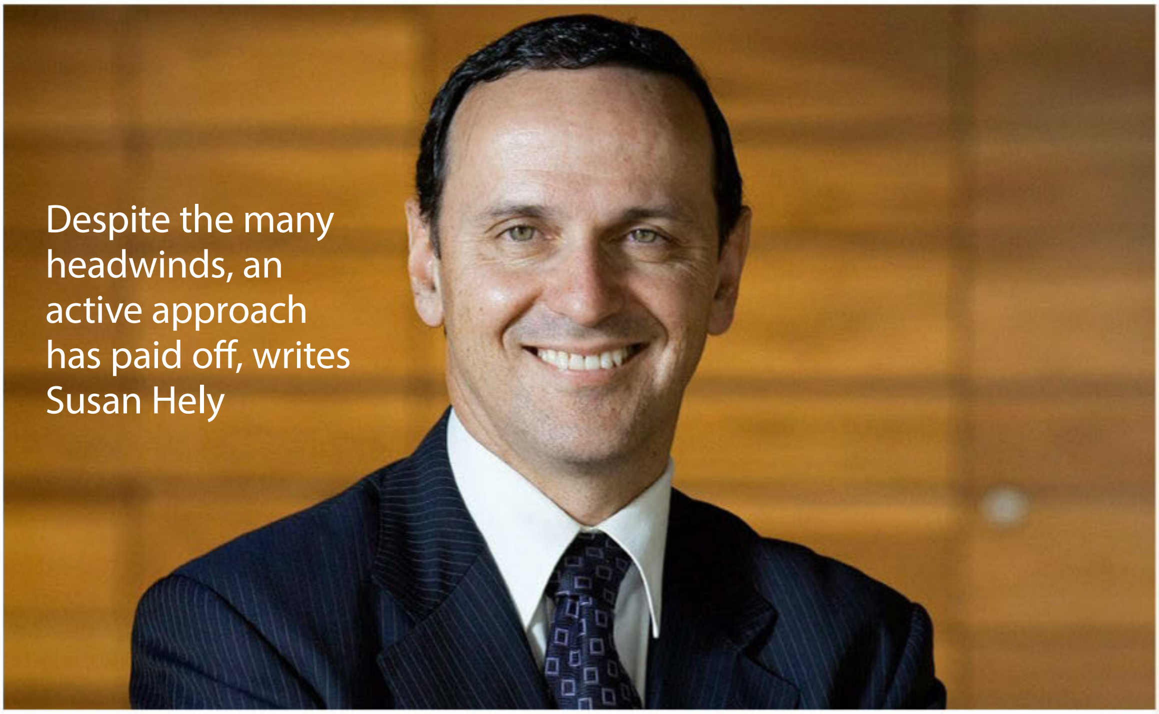
This app provides investors with information on exchange traded companies and funds (there's not much on ETFs just yet). Each company, whether listed on the ASX, NYSE, LSE or NASDAQ, is represented by a snowflake chart showing its estimated value, performance and predicted longevity. Swipe right to add, swipe up to reject – a bit like Tinder for your portfolio.

BRICKX.COM

This new investment platform can help you invest in residential property without committing to a mortgage. Investors can buy a "brick" – a fraction of a property – for less than $100. BrickX currently has properties in Sydney and Melbourne open for investment but plans to add more. At the end of every month, investors get a cut of the rental income, minus the property management costs.

PLANET MONEY PODCAST
Online, iTunes and Google Play

Owned by the National Public Radio broadcasting network in the US, Planet Money aims to give listeners a round-up of what's going on in the world. From Wells Fargo to Brexit, the hosts manage to make all topics entertaining. You'll be able to find two podcasts a week online, with each going for 15 to 20 minutes.



Despite the many headwinds, an active approach has paid off, writes Susan Hely

On the right course

It is rare for investment groups to perform well in a wide range of asset classes. Usually an investment manager shines in only one or two. But this year's Best Fund Manager, BT Investment Management (BTIM), has performed well across *Money's* Australian large-cap and small-cap shares, fixed income, property trusts and multi-sector funds awards. In fact, 88% of BTIM's funds outperformed their benchmarks over three years.

Emilio Gonzalez, BTIM's chief executive, puts the good performance down to the group's experienced investment team and its active management of portfolios. Active management hasn't been easy over the past year, with the Australian sharemarket going sideways, global sharemarkets falling 4% in local currency terms and the hysteria building up about the bond market. Most active investment managers are under fire for underperforming their benchmarks and investors are embracing low-cost passive investments such as exchange traded funds.

In spite of these headwinds, BTIM had inflows into its fixed-income, global and emerging market investment products, pushing the group's total assets up $4.4 billion over the year to September 2016 to reach $84 billion. Some came from US investors.

Gonzalez says Australians, particularly direct investors, are focusing on fees and products that can generate a regular income with low volatility. He says the challenge for retirees is minimising the need to draw on their retirement nest eggs – no easy task with low interest rates, lower capital returns and market volatility.

He says equities can provide a good foundation for income production and recommends the BT Balanced Equity Income Fund for generating consistent income, while the Wholesale Imputation Fund is well diversified across sectors and doesn't just rely on traditional yield stocks.

Gonzalez has a lot of experience in investment management, joining BTIM in 2010 after 20 years at Perpetual, where he was chief investment officer. So what is his advice for investors?

"What will continue to drive markets in the year ahead is the level and direction of interest rates around the world, the perceived effectiveness of monetary policy in stimulating economic growth and the extent to which companies can deliver earnings growth," he says.

Australian companies are generally under pressure to maintain dividends at current levels. "Chasing companies with the highest yield can be a dangerous game for investors and we've seen a substantial change in the share prices of a number of higher-yielding sectors since August, including infrastructure stocks and REITs."

Gonzalez recommends investors stick to their long-term strategy, understand what they are good at and know when to get professional advice.

BEST FUND MANAGER

GOLD WINNER
BT INVESTMENT MANAGEMENT

EMILIO GONZALEZ
CEO, BT INVESTMENT MANAGEMENT

$84bn TO PLAY WITH

BT Investment Management is a publicly listed company that manages $84 billion in investments. Westpac owns about 31% of the group. It paid a dividend of 42¢ for the 2015-6 financial year, an increase of 14% on the year before. Its performance fees rose by 49%.

BTIM was created from three entities: Westpac Financial Services, Rothschild Australia Asset Management and BT Funds Management. It listed on the ASX in 2007.

In 2011 BTIM acquired the global boutique active equity manager, JO Hambro Capital Management, based in London, to open up investment funds in the US, UK and European markets.

BEST MULTI-SECTOR FUNDS

GOLD WINNER RUSSELL

Diversified asset allocation caters to different appetites for risk

	FUND	APIR CODE	START DATE	RETURNS (%PA)			MER/ ICR (%PA)	MIN INV'T
				1 YEAR	3 YEAR	INCEPT		
1	Russell Balanced A	RIM0001AU	31-Oct-00	7.07%	7.27%	5.88%	0.88%	$10,000
1	Russell Diversified 50 A	RIM0003AU	31-Oct-00	6.51%	6.62%	6.01%	0.80%	$10,000
2	MLC Ws Horizon 4 Balanced	MLC0260AU	1-Jan-98	6.91%	6.95%	6.63%	0.99%	none
3	BT Balanced Returns Wholesale	BTA0806AU	1-Dec-89	5.21%	7.28%	7.18%	0.82%	$25,000

Source: Morningstar.

The funds were selected from those highest rated by research houses Morningstar (excluding mortgage funds), Zenith Investment Partners and Lonsec. For the Mortgage Fund and Property Securities Funds awards, SQM Research joined the panel. To qualify, each fund had to be open to new investment with a minimum initial investment of $25,000 or less. Funds were ranked using a points system based on their rating by each research house. A further filtering process was then applied. Performance data is as at September 30, 2016. No winning fund or placegetter charges an entry fee.

Russell has dominated this category, as it did last year, with two of its funds sharing the top spot.

Russell Balanced A aims to provide returns over the medium to long term, with moderate to high volatility, consistent with a diversified asset mix. Its portfolio is around 70% growth and 30% defensive. Australian shares, international shares and fixed interest/cash each account for around 27% of the portfolio. Property (6%) and alternatives (12.5%) make up the rest.

"Experienced portfolio manager Andrew Sneddon has led this strategy since 2008, with support from a wealth of resources globally," says Morningstar analyst Wilson Wong, who describes Russell's multi-asset portfolios as reliable.

But Wong expresses some concern with recent changes in the fund's investment strategy: "Our hesitation lies in Russell's shift towards more tactical positioning, through dynamic tilting in underlying strategies, increased tactical asset allocation ranges, and tweaks to the strategic asset allocation at each annual review."

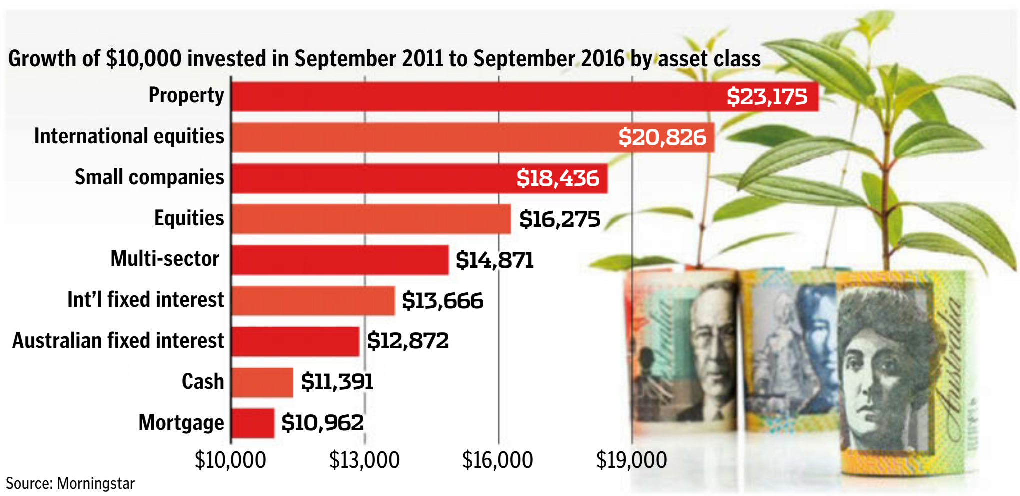
Russell Diversified 50 Fund Class A aims to provide returns over the medium term, with moderate volatility, consistent with a diversified mix of 50/50 between growth and defensive assets.

The portfolio has 20% in Australian shares, 18.5% in international shares, 5% in property, 11.5% in alternatives and 45% in fixed interest and cash.

"Russell's multi-sector approach uses a thorough asset allocation process and invests in the firm's own single-sector or custom strategies," says Wong, who expresses the same reservations around investment strategy as for the Balanced A fund. "While we view Russell's multi- asset portfolios as reliable, we'll need time to build conviction in the team's ability to add value using its tactical flexibility," he says.

MLC Wholesale Horizon 4 Balanced took second spot. MLC says the portfolio has a strong bias to growth assets and some exposure to defensive assets. "The MLC Horizon Series is an acceptable way to access a multi-sector fund given its risk-focused and experienced management team, though high fees and heavy sub-manager diversification weigh on our view," says Morningstar analyst Matthew Wilkinson.

HOW $10,000 HAS FARED OVER FIVE YEARS



Source: Morningstar

BEST AUSTRALIAN SHARE FUNDS

Money MAGAZINE AWARDS 2017 — BEST OF THE BEST 2017

GOLD WINNERS FIDELITY, GREENCAPE AND PERPETUAL

The stock pickers' skills and experience are the key to strong performance

	FUND	APIR CODE	START DATE	RETURNS (%PA) 1 YEAR	3 YEAR	INCEPT	MER/ ICR (%PA)	MIN INV'T
1	Fidelity Australian Equities	FID0008AU	30-Jun-03	14.84%	8.21%	12.52%	0.85%	$25,000
1	Greencape Ws Broadcap	HOW0034AU	11-Sep-06	14.73%	7.31%	8.88%	0.95%	$10,000
1	Perpetual Ws Sh Plus Long/Short	PER0072AU	14-Mar-03	8.68%	8.44%	12.50%	0.99%	$25,000
1	Perpetual Ws Ethical SRI	PER0116AU	3-May-02	19.00%	9.98%	12.43%	1.18%	$25,000
2	Greencape Ws High Conviction	HOW0035AU	11-Sep-06	10.74%	6.31%	8.72%	0.90%	$10,000
2	Lazard Select Australian Equity	LAZ0013AU	7-Jun-02	17.45%	7.24%	9.00%	1.07%	$20,000
2	Perpetual Ws Concentrated Eq	PER0102AU	6-Aug-99	10.90%	5.25%	11.27%	1.10%	$25,000
3	Antares Prof Dividend Builder	PPL0002AU	6-Sep-05	13.46%	8.88%	8.07%	0.60%	$20,000
3	Bennelong Australian Equities	BFL0001AU	30-Jan-09	15.61%	7.36%	13.83%	0.95%	$10,000
3	BT Focus Australian Share Ws	RFA0059AU	1-Apr-05	9.69%	6.99%	8.46%	0.75%	$25,000
3	Fidelity Australian Opportunities	FID0021AU	31-Jul-12	16.11%	9.93%	14.10%	0.85%	$25,000
3	Grant Samuel Tribeca Alpha Plus	ETL0069AU	18-Sep-06	15.73%	16.19%	9.15%	0.97%	$25,000
3	Pengana Australian Equities	PCL0005AU	18-Jun-08	19.22%	9.64%	11.95%	1.23%	$20,000
3	Perpetual Ws Australian	PER0049AU	28-Feb-97	13.10%	5.06%	10.81%	0.99%	$25,000
3	Wavestone W Australian Share	HOW0020AU	17-Nov-03	12.26%	9.36%	9.32%	0.97%	$10,000

Source: Morningstar.

Four funds have tied for first place this year. Last year's joint winner, **Fidelity Australian Equities**, offers a well-balanced portfolio with a bias towards growth-oriented companies, says Morningstar analyst Ross MacMillan. It typically holds 30 to 50 stocks picked by portfolio manager Paul Taylor.

"Very few can match the vast knowledge, experience and enthusiasm for investing of Paul Taylor," says MacMillan. "Long-term outperformance is extremely difficult to achieve but because of the skilful implementation of Taylor's distinctive investment style, the strategy has attained top-quartile results for over a decade."

Greencape Wholesale Broadcap came third last year. Its growth-leaning portfolio is notable for its inclusion of small-cap stocks, says Morningstar analyst Tim Wong. The fund typically holds 50 to 60 stocks.

"Greencape Broadcap's expert investors are highly adept at uncovering opportunities on the back of unwavering and creative research," says Wong.

Perpetual Wholesale Share-Plus Long-Short, also a joint winner last year, follows a 125/25 long-short strategy. This means that up to 25% of the portfolio can consist of short positions where, in simple terms, manager Anthony Aboud sells shares that he views negatively. He can then invest the capital raised into additional equities, thus taking the overall long exposure to 125%. "Perpetual Share-Plus's manager possesses uncommon skills in identifying short-selling candidates that are ideally complemented by the firm's high-quality investment team," says Wong.

Perpetual Wholesale Ethical SRI, which came second last year, typically holds about 50 stocks. It favours names with good earnings visibility and sustainable levels of debt. High-dividend stocks also feature heavily, says Morningstar analyst Tom Whitelaw. "The team behind the fund competently implements a socially conscious approach, making this a reasonable choice for those interested in this type of investment."

MOST FUNDS MISS THE TARGET

It's important to be selective when investing in Australian large-cap share funds as virtually two-thirds fail to hit or exceed the benchmark for returns, according to recent research produced by Morningstar. About a third of actively managed large-cap Australian share funds did as well as, or outperformed, the S&P/ASX 200 Accumulation Index in the five years to August 31 while a similar number met or outperformed the index over one year. Investors need to weigh up whether it's worthwhile paying the higher fees for actively managed funds when they have the option of getting exposure to Australian large-cap stocks through much cheaper exchange traded funds (ETFs).

For the fourth consecutive year the Fidelity Australian Equities Fund has been awarded the Best Australian Share Fund in *Money* magazine's Best of the Best Awards. So whether you are thinking about saving for your family or investing in your own future, choose an investment expert who is a recognised leader.

Visit **www.fidelitytogether.com**
or speak to your financial planner.

Fidelity. Let's get there together.

BEST AUSTRALIAN SHARE FUND · Money MAGAZINE · WINNER 2017 · BEST OF THE BEST 2017

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BEST AUSTRALIAN FIXED-INTEREST FUNDS

GOLD WINNER PIMCO

Regular income and low risk are prized in a volatile environment

FUND		APIR CODE	START DATE	RETURNS (%PA)			MER/ ICR (%PA)	MIN INV'T
				1 YEAR	3 YEAR	INCEPT		
1	PIMCO EQT Ws Aust Bond	ETL0015AU	31-Jul-99	5.88%	6.13%	6.71%	0.50%	$20,000
2	Henderson Aust. Fixed Interest	IOF0046AU	28-Jun-94	5.65%	5.85%	7.43%	0.47%	$25,000
3	BT Fixed Interest Ws	RFA0813AU	14-Aug-92	3.71%	5.98%	6.83%	0.50%	$25,000
3	PIMCO Australian Focus W	ETL0182AU	24-Feb-09	4.00%	4.06%	5.84%	0.50%	$20,000

Source: Morningstar.

For investors who want to earn more than bank interest, combined with regular income and relatively low risk, this category fits the bill.

PIMCO EQT Wholesale Australian Bond Fund, which was equal first last year, seeks to provide the benefits that investors expect from a core bond holding, including consistent income and low volatility, which can help stabilise portfolio returns. It pays quarterly distributions.

The PIMCO fund invests predominantly in a wide range of high-quality bonds from issuers in Australia and New Zealand, ranging from federal and state government bonds to corporate bonds and mortgage-backed securities.

Henderson Australian Fixed Interest, formerly known as the Perennial Fixed Interest Wholesale fund, has taken out second spot. A joint winner in last year's awards, it invests through Henderson's institutional fund, an actively managed portfolio of high-quality interest-bearing securities that seeks to provide a high level of capital protection. Distributions are made quarterly.

PIMCO Australian Focus Wholesale, equal third, also pays quarterly distributions, while **BT Fixed Interest Wholesale** pays distributions twice a year.

BEST INCOME FUNDS

GOLD WINNER PIMCO

A portfolio of investment-grade bonds supports regular distributions

FUND		APIR CODE	START DATE	RETURNS (%PA)			MER/ ICR (%PA)	MIN INV'T
				1 YEAR	3 YEAR	INCEPT		
1	PIMCO Ws Global Credit	ETL0019AU	4-Dec-01	8.59%	6.94%	8.14%	0.61%	$20,000
2	Bentham Ws Global Income	CSA0038AU	16-Sep-03	3.98%	4.77%	7.33%	0.72%	$10,000
3	Payden Global Inc Opportunities	GSF0008AU	18-Sep-12	5.30%	4.87%	4.31%	0.70%	$25,000

Source: Morningstar.

For investors who want strong returns from income funds over the long term, the winner and placegetters in this category are all certainly worthy of consideration.

This year **PIMCO's Wholesale Global Credit Fund** has taken top spot after coming second last year. The fund invests in a diversified portfolio of predominantly investment-grade bonds including corporate, mortgage and asset-backed securities.

It aims to provide investors with greater income potential relative to government bonds and cash, as well as more income and less volatility in returns when compared with equities. The fund can diversify across industries, issuers and regions and can access PIMCO's team of more than 50 analysts. Distributions are quarterly.

Bentham Global Income, a joint winner for the past two years, came second. It is actively managed and focused on generating stable investment income. It provides diversified exposure to domestic and global credit markets, with monthly distributions. In third spot, **Payden Global Income Opportunities** aims to generate steady and dependable returns regardless of the market environment with quarterly distributions.

BEST SMALL COMPANIES FUNDS

GOLD WINNERS NOVAPORT AND SGH

Skilled investment teams with proven strategies have produced strong returns

Small companies performed well over the past year, meaning many of these funds produced good returns for their investors. NovaPort Wholesale Smaller Companies and SGH ICE share top spot in our awards.

NovaPort is a concentrated portfolio typically holding 30 to 35 stocks, says Morningstar analyst Ross MacMillan. "The portfolio management duo [Alex Milton and Sinclair Currie] place little relevance on index weights, meaning the end result can at times bear little resemblance to either the S&P/ASX Small Ordinaries Accumulation Index or the wider peer group," says MacMillan.

"The fund's unwavering commitment to its investment philosophy and processes has ensured some excellent returns but also the occasional disappointment. Nevertheless, our conviction is maintained that the strategy will reward investors over the full market cycle because of the knowledgeable investment team and straightforward research approach."

	FUND	APIR CODE	START DATE	RETURNS (%PA) 1 YEAR	3 YEAR	INCEPT	MER/ ICR (%PA)	MIN INV'T
1	NovaPort Ws Smaller Companies	HOW0016AU	24-Jun-02	25.38%	9.51%	15.76%	0.90%	$10,000
1	SGH ICE	ETL0062AU	10-Feb-06	12.17%	13.90%	12.22%	1.18%	$20,000
2	Aberdeen Aust Small Cos	CSA0131AU	21-Mar-01	26.66%	15.80%	12.56%	1.26%	$20,000
2	Ausbil MicroCap	AAP0007AU	1-Feb-10	31.60%	25.74%	30.35%	1.20%	$20,000
2	BT MidCap WS	BTA0313AU	1-Jul-08	23.60%	14.64%	10.12%	0.90%	$25,000
2	Fidelity Future Leaders	FID0026AU	22-Jul-13	26.54%	14.85%	15.99%	1.20%	$25,000
2	Pengana Emerging Cos	PER0270AU	1-Nov-04	28.32%	15.89%	14.73%	1.33%	$25,000
3	Ironbark Karara Aust SC	PAT0002AU	30-Jun-05	25.75%	10.02%	14.67%	1.13%	$20,000
3	NovaPort Wholesale Microcap	HOW0027AU	21-Mar-05	27.09%	9.14%	10.56%	1.50%	$10,000

Source: Morningstar.

SGH ICE came equal second last year. It typically holds a diversified portfolio of between 30 and 50 stocks but its portfolio deviates from the S&P/ASX 300 and the S&P/ASX Small Ordinaries, says Morningstar analyst Matthew Wu. In the past three years SGH ICE had about 54% in small caps and micro caps, 27% in mid caps and 19% in large caps and giant caps.

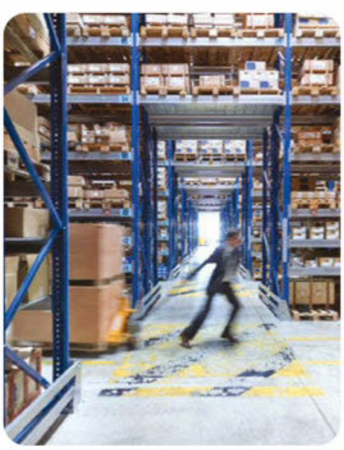
"We have gained increased conviction in SGH ICE because of our growing regard for portfolio manager Callum Burns. He is a highly capable and insightful investor, and the strategy is backed by a proven and repeatable process," says Wu.

Five funds – Aberdeen Australian Small Companies, Ausbil MicroCap, BT Wholesale MidCap, Fidelity Future Leaders and Pengana Emerging Companies – tied for second.

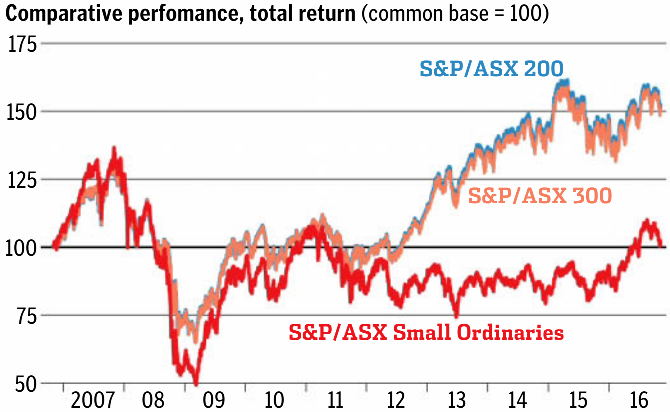
Pengana Emerging Companies, which also came equal first last year, holds about 50 to 60 stocks. Its portfolio has a distinct tilt from the S&P/ASX Small Ordinaries Index as it excludes biotechnology, resources companies, which are considered risky, and listed property trusts (REITs), because the portfolio managers think their industrials-focused investment process does not suit property trusts, says Morningstar analyst Elliot Lucas.

Fidelity Future Leaders has between 40 and 70 stocks. "The fund is starting to show real promise and is an attractive option for investors seeking mid- to small-cap domestic equities exposure," says MacMillan.

SIZE MATTERS: UP AND DOWNS OF SMALL CAPS



Comparative perfomance, total return (common base = 100)



Source: S&P Dow Jones Custom Indices

BEST MORTGAGE FUND

GOLD WINNER LA TROBE

A strong track record reassures investors who want a regular income

La Trobe's 12 Month Term Account, formerly the Pooled Mortgages fund, has won this award eight years in a row. And again it's the only mortgage fund that the three judges – Lonsec, SQM Research and Zenith – deem worthy of an award in this category.

Investors can access this fund with a minimum of $1000 and all money is invested in cash or loans secured by first mortgages in Australia. It pays monthly distributions, so particularly suits those living on a fixed income.

The fund has a 4¼-star (superior) rating from SQM Research.

	FUND	APIR	START DATE	RETURNS (%PA) 1 YEAR	3 YEAR	INCEPT	MER/ ICR (%PA)	MIN INV'T
1	La Trobe 12 Month Term Account	LTC0002AU	1-Oct-02	5.33%	5.83%	7.15%	1.50%	$1000

Source: Morningstar

The funds were selected from those highest rated by research houses Lonsec, SQM Research and Zenith Investment Partners. Each fund had to be open to new investment with a minimum initial investment of $25,000 or less. Funds were ranked using a points system based on their rating by each research house. Performance data as at September 30, 2016.

It aims to provide investors with regular income streams coupled with low to medium levels of risk while outperforming the Bloomberg AusBond Bank Bill Index (BAUBIL) by 1.50%, according to SQM.

"The fund is managed by an experienced management team with a track record in mortgage lending. The loan origination process is bolstered by sound underwriting process and procedures," says SQM.

Both Zenith and Lonsec give the fund "recommended" ratings. "La Trobe Financial has carved out an impressive track record in this sector driven by its deep lending experience spanning over 60 years," says Zenith.

BEST PROPERTY SECURITIES FUNDS

GOLD WINNERS APN AND BT

Australian real estate underpins the attractive, consistent returns

Property securities funds, which mainly invest in Australian real estate investment trusts, have provided attractive returns for investors over the past few years.

The joint winners this year, **APN A-REIT** and **BT Wholesale Property Securities**, have been at or near the top of this category for several years.

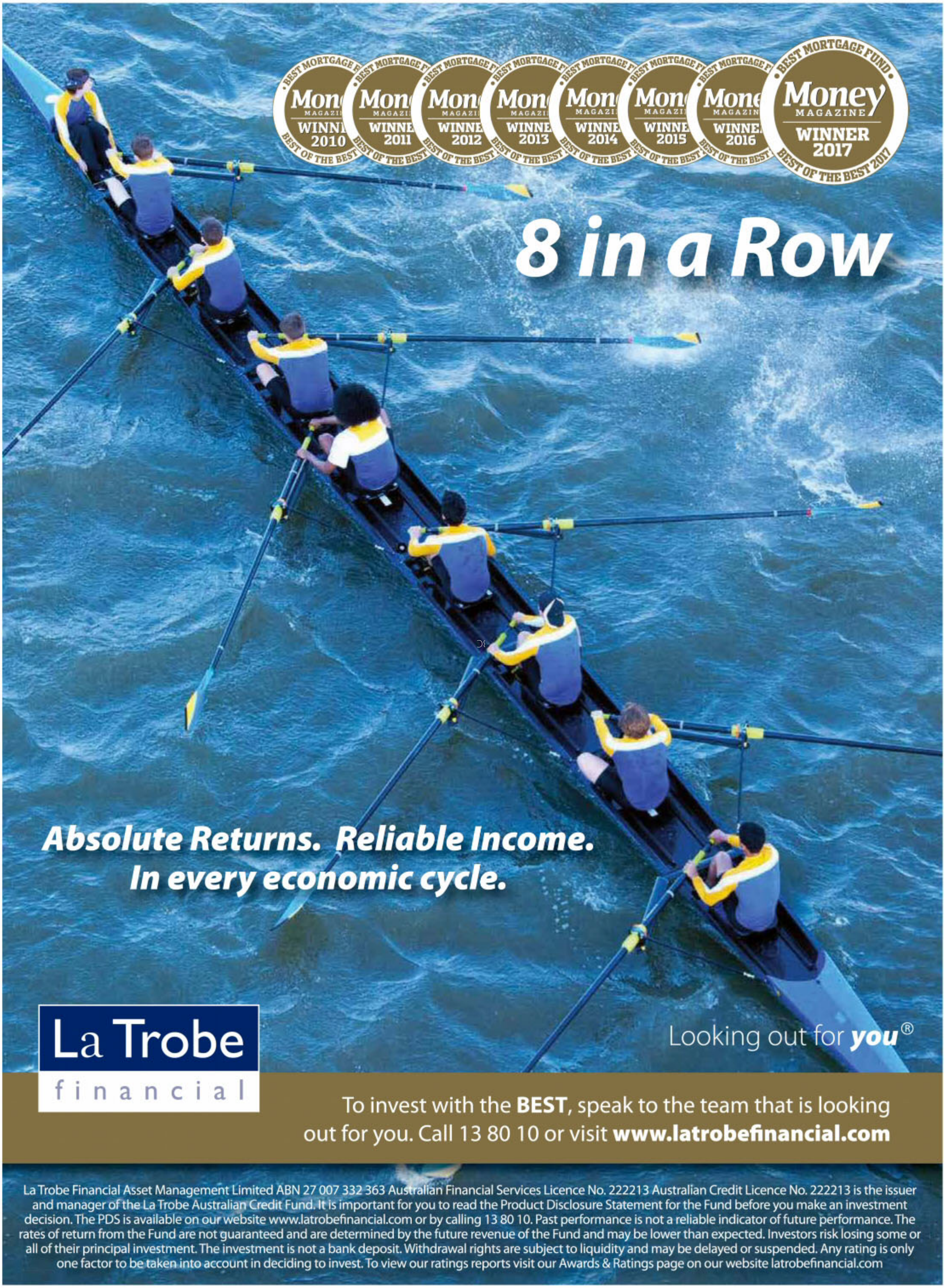
APN A-REIT, which has been either a winner or placegetter for the past seven years, focuses on property trusts that get most of their earnings from passive rental activity, not foreign or corporate earnings, says Morningstar analyst Alexander Prineas. This

	FUND	APIR CODE	START DATE	RETURNS (%PA) 1 YEAR	3 YEAR	INCEPT	MER/ ICR (%PA)	MIN INV'T
1	APN A-REIT	APN0008AU	19-Jan-09	21.44%	17.52%	16.68%	0.85%	$1000
1	BT Property Securities	BTA0061AU	1-Nov-97	20.23%	17.17%	7.86%	0.65%	$25,000
2	Zurich Investments Aust Pr Sec	ZUR0064AU	28-Feb-00	21.67%	17.33%	8.38%	0.81%	$5000
3	Folkestone Maxim A-REIT	COL0001AU	17-Oct-05	24.88%	18.74%	4.78%	0.95%	$5000

Source: Morningstar.

provides greater earnings certainty compared with developing properties. "We're fans of APN A-REIT's experienced investment team and the flexibility of its approach," says Prineas.

BT Property Securities came first last year and third the previous year. "The fund is one of our best ideas for Australian listed property," says Prineas. It aims to add to returns by investing in small caps, in property-related non-REITs and in REITs listed overseas, which has seen it eke out modest gains over the years to comfortably surpass nearly all rivals, he says.



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WINNER 2012
WINNER 2013
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WINNER 2015
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BEST INTERNATIONAL SHARE FUNDS

GOLD WINNERS ARROWSTREET, IFP AND MAGELLAN

A disciplined strategy and skilled staff identify the promising stocks

Lacklustre performances from many overseas sharemarkets over the past 12 months saw international share funds turn in relatively weak returns for investors, although the three-year results are much stronger.

Arrowstreet Global Equity, IFP Global Franchise and Magellan Global were joint winners last year and they have done it again in this year's awards.

Arrowstreet Global provides exposure to a diversified portfolio of 150 to 400 global equities, including emerging markets and small caps.

Arrowstreet adopts an active, quantitative investment approach that seeks to consistently outperform through varying market conditions. Its quantitative models aim to exploit both informational and behavioural mispricings in the market. They combine investment intuition with rigorous quantitative research in an effort to identify attractive stocks around the world.

Its three biggest holdings are North America (54%), Europe ex-UK (17%) and emerging markets (13%). At September 30 its top five holdings were Philip Morris International, Facebook, Taiwan Semicon Man, Amazon.com and Cisco Systems.

	FUND	APIR CODE	START DATE	RETURNS (%PA)			MER/ ICR (%PA)	MIN INV'T
				1 YEAR	3 YEAR	INCEPT		
1	Arrowstreet Global Equity[1]	MAQ0464AU	20-Dec-06	1.20%	15.56%	6.37%	1.28%	$20,000
1	IFP Global Franchise[1]	MAQ0404AU	17-Nov-04	8.25%	17.25%	10.60%	1.38%	$20,000
1	Magellan Global	MGE0001AU	29-Jun-07	-1.57%	13.56%	10.62%	1.25%	$10,000
2	Acadian Global M'gd Volatility	FSF1240AU	19-Jan-12	5.84%	13.40%	16.53%	0.64%	$25,000
2	Analytic Global M'gd Volatility	MAQ0796AU	21-Aug-12	4.97%	14.59%	16.57%	0.62%	$20,000
2	Magellan High Conviction	MGE0005AU	1-Jul-13	2.71%	15.75%	15.32%	1.40%	$10,000
3	Altrinsic Global Equities Trust	ANT0005AU	7-Nov-11	4.11%	12.03%	15.21%	1.25%	$20,000
3	BT Core Hedged Global Share WS	RFA0031AU	25-Oct-01	7.96%	9.57%	6.57%	0.97%	$25,000
3	Platinum International Fund	PLA0002AU	30-Apr-95	2.04%	9.81%	12.36%	1.44%	$20,000
3	Walter Scott Global Equity	MAQ0410AU	18-Mar-05	2.82%	12.24%	7.32%	1.28%	$20,000
3	Zurich Invest Global Growth	ZUR0580AU	31-Aug-09	-1.66%	12.04%	11.52%	0.98%	$5000

Source: Morningstar. [1]Arrowstreet's fund and IFP's fund also have hedged options which were rated as equal.

"Arrowstreet Global continues to impress with its proven process and expert team," says Morningstar analyst Elliot Lucas.

IFP Global Franchise has maintained a comparatively defensive risk/return profile. Its compact 20 to 40 stock portfolio has historically had a heavy tilt to the consumer staples sector, says Morningstar analyst Matthew Wu. "The consistency of its investment approach and the experienced team sets IFP's Global Franchise fund apart from the pack."

"Hassan Elmasry, lead portfolio manager, and his colleagues look exclusively for firms with a franchise-based advantage – intangible assets that are very difficult to replicate and support a strong, sustainable competitive position – including household brands and business models with economic network effects."

Its three biggest holdings by area are North America (55%), the UK (19%) and Europe ex-UK (12%). Imperial Brands, Johnson & Johnson and Apple were its three biggest stock holdings at September 30.

Magellan Global also has a concentrated portfolio of 20 to 40 stocks. "We think Magellan Global's enduring competitive edge lies in its portfolio manager's perceptive views and attention to detail when constructing the portfolio," says Morningstar analyst Tim Wong.

"This strategy has a focused remit. It seeks high-quality stocks with wide economic moats – companies earning above-average returns on invested capital and possessing durable competitive advantages. Information technology, consumer-related franchises, financials and healthcare are this concentrated portfolio's main investments."

Magellan has also launched an exchange traded fund which has picked up an award for best international ETF this year (see page 70).

TAKE A GLOBAL VIEW

With more than 90% of the world's corporate profits generated outside Australia, all investors need some exposure to global equities.

The benefits include:

- The ability to diversify portfolios heavily weighted towards the Australian sharemarket, currency and economy.
- Access to fast-growing emerging markets, including China, India and Brazil.
- Access to broad and mature sectors that are not well represented in the Australian sharemarket, including technology and pharmaceuticals.
- Access to big-brand names, including Apple, Google and Microsoft.

For some investors managed funds represent a relatively easy way to gain exposure to global equities. Just be sure to do your research on the manager and check you aren't paying excessive fees.

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Reap the rewards

Low costs and quality investments are the hallmarks of Australia's fastest growing fund manager, writes Susan Hely

BEST ETF PROVIDER

GOLD WINNER
VANGUARD

RODNEY COMEGYS
HEAD OF INVESTMENTS FOR ASIA-PACIFIC

Vanguard, our winning exchange traded fund (ETF) provider, hit plenty of milestones this year. It is 20 years since Vanguard opened its doors in Australia and more than 40 years since it launched its first retail index fund in the US. Also Vanguard became the fastest growing fund manager in Australia, up 26% over the 12 months to June 2016, according to research house Rainmaker.

But for Rodney Comegys, who came to Australia three years ago to head Vanguard's investments for Asia-Pacific, the most important achievement is consistently providing low-cost, diversified investments for investors. "Costs matter and diversification helps portfolios," he says. "Clients are rewarded and it helps them afford important costs such as their children's education or their retirement."

Vanguard is a not-for-profit mutual founded by the investment legend Jack Bogle, with investors' best interests as its core value. This means there are no conflicts to make a big profit to pay shareholders. All profits go to investors.

Vanguard has 17 Australian ETFs – five Australian equity, seven international equity and five fixed income. The line-up includes broad, plain-vanilla funds that follow mainstream indices as well as specialised ETFs. "You can build a very good, hugely diversified investment portfolio of different asset classes using our ETFs," says Comegys.

Vanguard won three of the four ETF categories in this year's awards – Australian shares, income and specialty ETFs. Two of its ETFs share second place in the international ETF category.

One of the winning features of Vanguard's ETFs is the constant lowering of investment management fees. In 1975 the average expense ratio for the Vanguard funds was 0.89%pa. Now with $5 trillion in fund assets, Vanguard has cut the average fund expense ratio to 0.15%pa.

Vanguard recently cut the fees on two of its ETFs – Australian Property Securities Index (to 0.23%pa) and Australian Shares Index (0.14%pa) as well as three other index funds. The fee cuts may look small but every basis point in costs helps, particularly over the long-term, compounding the savings and higher returns for investors.

Comegys wants to see Australians hold more overseas investments as well as more fixed income in spite of predictions of the end of the 35-year rally in bond markets and low rates. Typically, Australian investors are heavily invested in Australian shares and are overweight in a couple of sectors and several companies, such as the big four banks.

Vanguard's Australian Fixed Interest ETF, which invests in quality government and treasury bonds, paid out an impressive 5.52%pa. While the income has been good, Comegys says it is unlikely that Australian bonds will continue to do as well. "The reason why we have fixed income is to give you some stability for the really bad days."

Comegys expects low returns of 1% to 3% to continue over the coming year but over the decade they should reach 6% to 8%, which after a low inflation rate will deliver a real return of 3% to 5% – still a good result.

BIG NUMBERS

Globally, Vanguard has more than $5 trillion under management (as at September 30, 2016), including more than $795 billion in ETFs.

Vanguard Group was established in the US in 1975 and Vanguard Australia commenced operating 20 years ago, in 1996.

This year marks the 40th anniversary of the launch of the first retail index fund by Vanguard.

Around the world Vanguard has about 14,000 employees (or "crew", as the company has a nautical theme expressed in its philosophy for investors "to stay the course" or stick to their financial plan), with about 400 in Australia.

Vanguard Australia manages more than $110 billion, including more than $5.9 billion in ETFs.

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BEST AUSTRALIAN SHARE ETFs

GOLD WINNERS SPDR AND VANGUARD

Low-cost index trackers provide portfolios with diversification and transparency

	ETF	ASX CODE	START DATE	RETURNS (%PA) 1 YEAR	3 YEAR	5 YEAR	INCEPTN	FEE (%PA)
1	SPDR S&P/ASX 200	STW	24-Aug-01	12.86%	5.64%	10.82%	7.32%	0.19%
1	Vanguard Australian Shares	VAS	04-May-09	13.28%	5.87%	10.85%	9.14%	0.15%
2	BetaShares Aust Top 20 Eq Yld Max	YMAX	22-Nov-12	6.28%	1.13%	–	5.48%	0.59%
2	BetaShares FTSE RAFI Australia 200	QOZ	10-Jul-13	14.73%	6.05%	–	8.15%	0.30%
2	Russell High Div Aust Shares	RDV	14-May-10	9.69%	5.06%	11.16%	7.27%	0.34%
2	SPDR MSCI Australia Sel High Div Yld	SYI	24-Sep-10	9.74%	2.21%	10.57%	6.91%	0.34%
2	SPDR S&P/ASX 50	SFY	24-Aug-01	9.50%	4.26%	10.59%	7.23%	0.29%

Source: Morningstar.

The winners were selected from those rated highest by research houses Lonsec, Morningstar and Zenith Investment Partners. The ETFs were ranked according to a points system based on the ratings. A further filtering process was then applied. Performance data is as at September 30, 2016.

This year's gold winners – **SPDR S&P/ASX 200** and **Vanguard Australian Shares** – are the building blocks of many an investor's portfolio.

These straightforward, transparent index trackers provide instant exposure to the top 200 or 300 companies listed on the ASX for a tiny fee.

Solid performers with low turnover – which keeps capital gains tax down – they are liquid investments that are easy to buy and sell, just like shares, on the ASX. Their volatility means they suit investors who want long-term capital growth and some tax-effective income over a minimum time horizon of five years.

Both funds reap the benefits of Australia's high-dividend-paying environment. The healthy yield has helped offset a lacklustre sharemarket performance. The SPDR dividend was around 4.53% at the end of October 2016 and Vanguard paid out 4.78% at the end of August 2016.

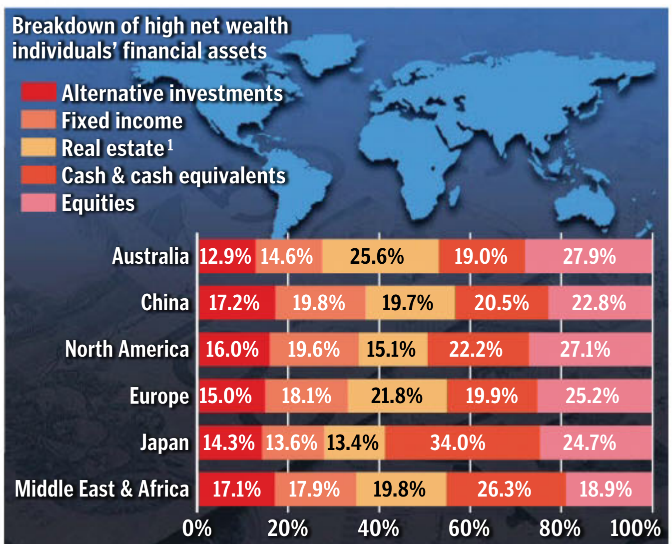
Both ETFs provide transparent information about their full shareholdings and update this regularly.

The SPDR fund comes from the ETF provider, State Street Global, and is the longest-standing ETF on the ASX with a 15-year track record. Over that time its fee has almost halved to 0.19%pa.

If you want a broader exposure to the sharemarket, the Vanguard ETF tracks the top 300 Australian companies for a recently reduced fee of 0.14%pa. The index covers around 81% of the market, taking in more of the mid-cap sector than the SPDR fund.

Some of the second placegetters target high-dividend-yielding shares to boost returns. For example, **Russell High Dividend Australian Shares** holds 47 stocks and has a generous payout of 5.5%. The fee is 0.34%.

WHERE THE RICH INVEST



Source: Capgemini World Wealth Report Quarter 1, 2016. [1]Real Estate excludes primary residence.

SMART BETA CATCHES ON

Smart beta is the next big thing in ETFs. Smart beta ETFs are similar to actively managed funds because their strategies include selecting companies that pay high dividends or quality companies with appreciating share prices over time. But the big difference is that, helped by technology, smart beta ETFs do it for a fraction of the cost of actively managed funds. The number and variety of smart beta ETFs listed on the ASX has increased from five to 33 over the past five years, with over $2 billion invested. Before you buy a smart beta ETF, be sure to understand what you are getting into – look at its strategy and the risks.

BEST SPECIALTY ETFs

GOLD WINNER VANGUARD

A strong performance from real estate helped push the annual return above 20%

The **Vanguard Australian Property Securities Index** ETF has won the specialty category for the fifth consecutive year, reflecting the bumper year for Australian real estate investment trusts (A-REITs).

In a low-return environment, double-digit investment returns are scarce. The 20.69% for the past year and 19.35%pa over the past five are outstanding.

The fund gives investors a diversified range of 30 A-REITs spanning retail, office and industrial and including Scentre Group, Westfield, Goodman, Stockland and Vicinity, in Australia and overseas. Tracking the S&P/ASX 300 A-REIT Index, it paid investors a yield of 5.97% for the year.

The ETF's low investment management fee – well below that charged by the average actively managed A-REIT – means bigger returns for investors.

Second placegetter **SPDR S&P/ASX 200 Listed Property** tracks the S&P/ASX 200 A-REIT Index, while in equal third place the **BetaShares US Dollar** fund has suffered from a rising Australian currency. The strength of the local dollar has also dampened the returns of **SPDR Dow Jones Global Real Estate**.

	ETF	ASX CODE	START DATE	RETURNS (%PA) 1 YEAR	3 YEAR	5 YEAR	INCEPTN	FEE (%PA)
1	Vanguard Australian Prop Securities	VAP	11-Oct-10	20.69%	17.47%	19.35%	14.47%	0.25%
2	SPDR S&P/ASX 200 Listed Property	SLF	15-Feb-02	20.30%	17.22%	19.08%	5.98%	0.40%
3	BetaShares US Dollar ETF	USD	31-Jan-11	-8.53%	6.46%	4.44%	4.33%	0.45%
3	SPDR Dow Jones Global Real Estate	DJRE	1-Nov-13	3.56%	–	–	15.18%	0.50%

Source: Morningstar.

BEST INCOME ETFs

GOLD WINNER VANGUARD

A mix of high-quality bonds provides investors with a steady cash flow

The **Vanguard Australian Fixed Interest Index** ETF wins the gold award for its quality Australian bond fund, with produced returns almost four times the cash rate.

It invests in an income-generating diversified portfolio that is made up of highly rated Australian federal government, state government and treasury corporation bonds.

It also holds a small percentage of investment-grade corporate issuers. The investments are predominantly rated BBB- or higher by Standard & Poor's or an equivalent agency.

The fund tracks the Bloomberg Australian Bond Composite Index. It charges an annual investment management fee of 0.20% and suits investors who want a stable quarterly income from an investment with relatively reliable returns. Vanguard says it is suitable for investors with an investment horizon of between three and five years.

Joint second placegetter is **BetaShares Australian High Interest Cash**, which has proved popular with investors seeking a cheaper alternative to cash management trusts as it invests in high-interest bank deposit accounts. BetaShares charges 0.18%pa.

Also in second place is the **iShares Composite Bond** ETF, which tracks the same Bloomberg index as the Vanguard fund for 0.20%pa.

	ETF	ASX CODE	START DATE	RETURNS (%PA) 1 YEAR	3 YEAR	5 YEAR	INCEPTN	FEE (%PA)
1	Vanguard Australian Fixed Interest	VAF	29-Oct-12	5.52%	6.04%	–	5.09%	0.20%
2	BetaShares Aust High Interest Cash	AAA	6-Mar-12	2.39%	2.91%	–	3.34%	0.18%
2	iShares Composite Bond	IAF	12-Mar-12	5.54%	6.04%	–	5.95%	0.20%

Source: Morningstar.

BEST INTERNATIONAL SHARE ETFs

GOLD WINNER MAGELLAN

A global fund with a strong record foresees technology as a key theme

	ETF	ASX CODE	START DATE	RETURNS (%PA)				FEE (%PA)
				1 YEAR	3 YEAR	5 YEAR	INCEPTN	
1	Magellan Global Equities (Hedged)[1]	MHG	4-Aug-15	8.90%	–	–	1.02%	1.25%
2	Vanguard All-World ex US Shares	VEU	12-May-09	-0.21%	7.49%	11.81%	6.86%	0.13%
2	Vanguard US Total Market Shares	VTS	12-May-09	4.92%	17.83%	21.90%	15.03%	0.05%
3	SPDR S&P 500 ETF	SPY	22-Jan-93	4.01%	–	–	15.71%	0.09%
3	SPDR S&P Global Dividend	WDIV	1-Nov-13	2.97%	–	–	10.78%	0.50%
3	SPDR S&P World ex Aust (Hedged)[1]	WXHG	8-Jul-13	11.32%	9.25%	–	10.02%	0.35%

Source: Morningstar. [1] Also available in an unhedged option.

Magellan Global Equities (Hedged) is an actively managed exchange traded fund that offers Magellan's flagship global equity strategy on the ASX. Magellan has been phenomenally successful since it launched 10 years ago, attracting $40 billion to its global equity and infrastructure funds. It started its active ETF in 2015.

Hamish Douglass, the founder, chief executive and chief investment officer at Magellan, believes that one of the investment themes over the next 10 to 20 years is advancements in technology and how they disrupt many industries, particularly 3-D printing, driverless cars, robotics and virtual reality.

The fund's returns have been helped by strong performances from US retailing chain Lowe's (19.8% for the 2015-16 year), Microsoft (18.7%) and Nestlé (13.7%).

Magellan's fees are not as low as those of other ETFs and because it is actively managed investors don't get the same level of up-to-date disclosure as with other ETFs. Magellan does disclose its shareholdings but it lags by two months.

In second place are **Vanguard's** highly diversified, low-cost global ETFs: the US Total Market Shares Index and the All-World ex-US Shares Index.

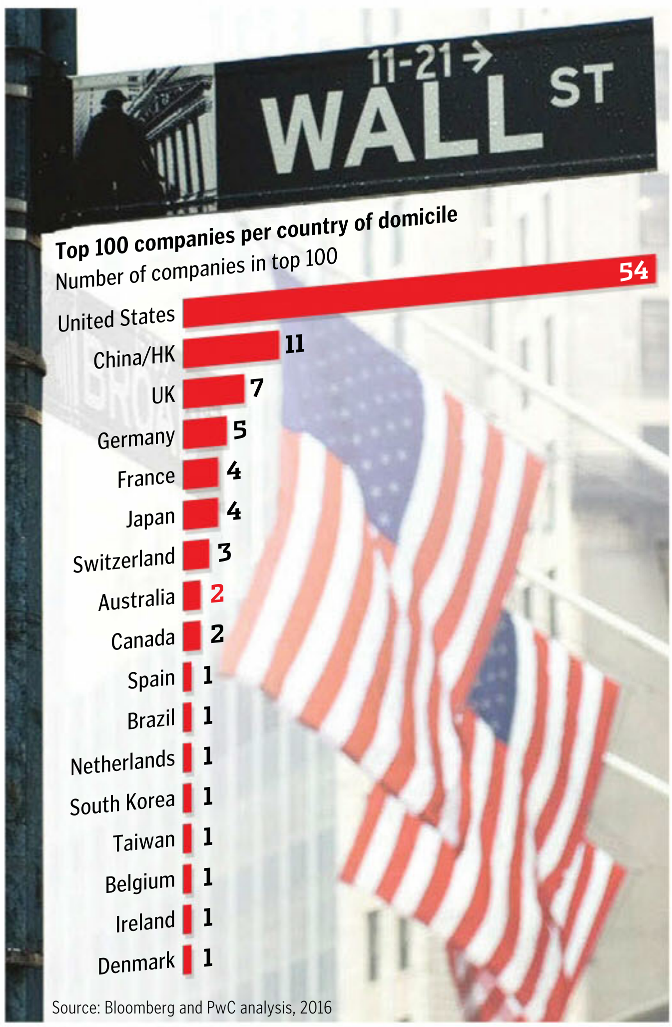
The first covers the entire US stockmarket – some 4000 large, mid-, small- and micro-cap shares listed on the New York Stock Exchange and NASDAQ. The All-World ex-US ETF invests in about 2500 stocks in 44 countries.

LISTED FUNDS MAKE IT EASY

Since the launch of Magellan's global equity product, a number of other actively managed funds have also listed on the ASX. The big advantage for investors is that they can buy them directly and instantaneously through an online broker.

Active ETFs are more accessible and more liquid than traditional managed funds. They have intra-day pricing and are paperless. They bypass the financial planner's traditional platforms, which can be costly and are ideal for DIY super funds. While disclosure of their investments lags by a couple of months, often the unlisted managed funds never reveal their entire portfolio.

WHERE THE TOP 100 COMPANIES ARE



Peter Warnes
Head of Australia Equity Research

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Education and research tools help investors stay on top of the action

BROKER	FEATURES						BASIC PRODUCT	ACCT FEE	ASX SHARES ONLINE TRADE	
	INT'L SH	SHARE PACKS	AUS SHARES RESEARCHED	INT'L SHARES RESEARCHED	TECH'L ANALYSIS CHARTS	ANY ACCT FOR SETTLING			FEE RANGE	TRADE RANGE
1 CommSec	✓	✓	1900	5799	5	✓	Share Trades Internet Preferred	none	fr $19.95 to 0.12%	< $10,001 $25,001+
2 Westpac Online Investing	✓	✗	2200	5500	4	✓	Trader Pro (WEBIRESS)	$79	fr $19.95 to 0.11%	up to $18,137 $18,137+
3 nabtrade	✓	✗	1500	5000	3	✗	Platinum	$19.95	fr $14.95 to 0.11%	up to $5000 $20,000+

Source: CANSTAR.

The winners scored points for features offered, based on a scenario for a casual investor (trading occasionally, with a long-term strategy). More than 100 features were considered.

For a decade, CommSec, Australia's largest online broker, has taken out the Best Feature-packed Online Broker award.

"CommSec has maintained the lead this year through its extensive coverage in charting tools and options, access to market insights and comprehensive client services," says Julie Nguyen, research analyst with Canstar.

"Education is the key differentiator for CommSec, which continues to heighten the trading knowledge of its clients through online tutorials, seminars and educational materials."

CommSec's features include its Learn tool, which is divided into three main categories: investing basics, choosing investments and managing a portfolio, which also explores more advanced concepts.

A community forum enables investors to gauge sentiment towards different stocks, discuss ideas and share knowledge. Its share packs appeal especially to novice investors with limited funds. There are four – each comprising six stocks – to suit different profiles and the minimum investment is $4000.

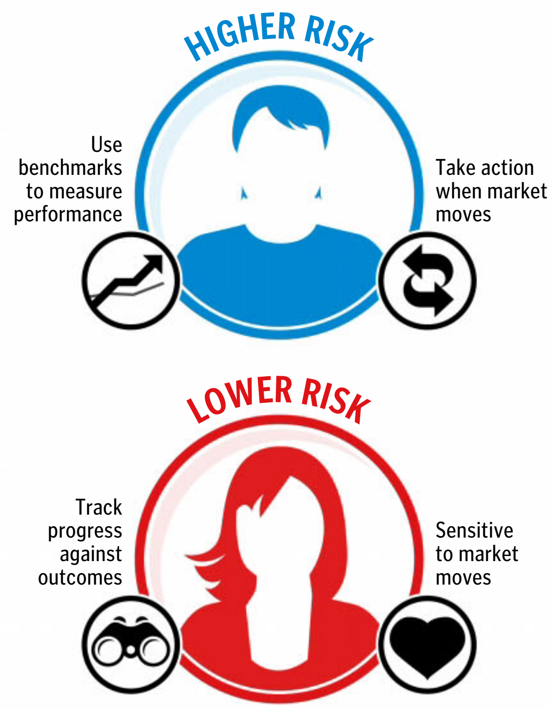
"It's been a closely contested match between CommSec and Westpac over the years," Nguyen says. This year it was extremely close and **Westpac** has taken second spot for the fourth consecutive year. Westpac has a comprehensive suite of charting and reporting options, account settlement flexibilities and platform information, says Nguyen.

Its Trader Pro has great features including Market Map, which enables the trader to see a customisable graphical representation of the All Ordinaries. Shares are grouped according to their sectors, and are sized based on their market capitalisation. Individual share performance is displayed by colour.

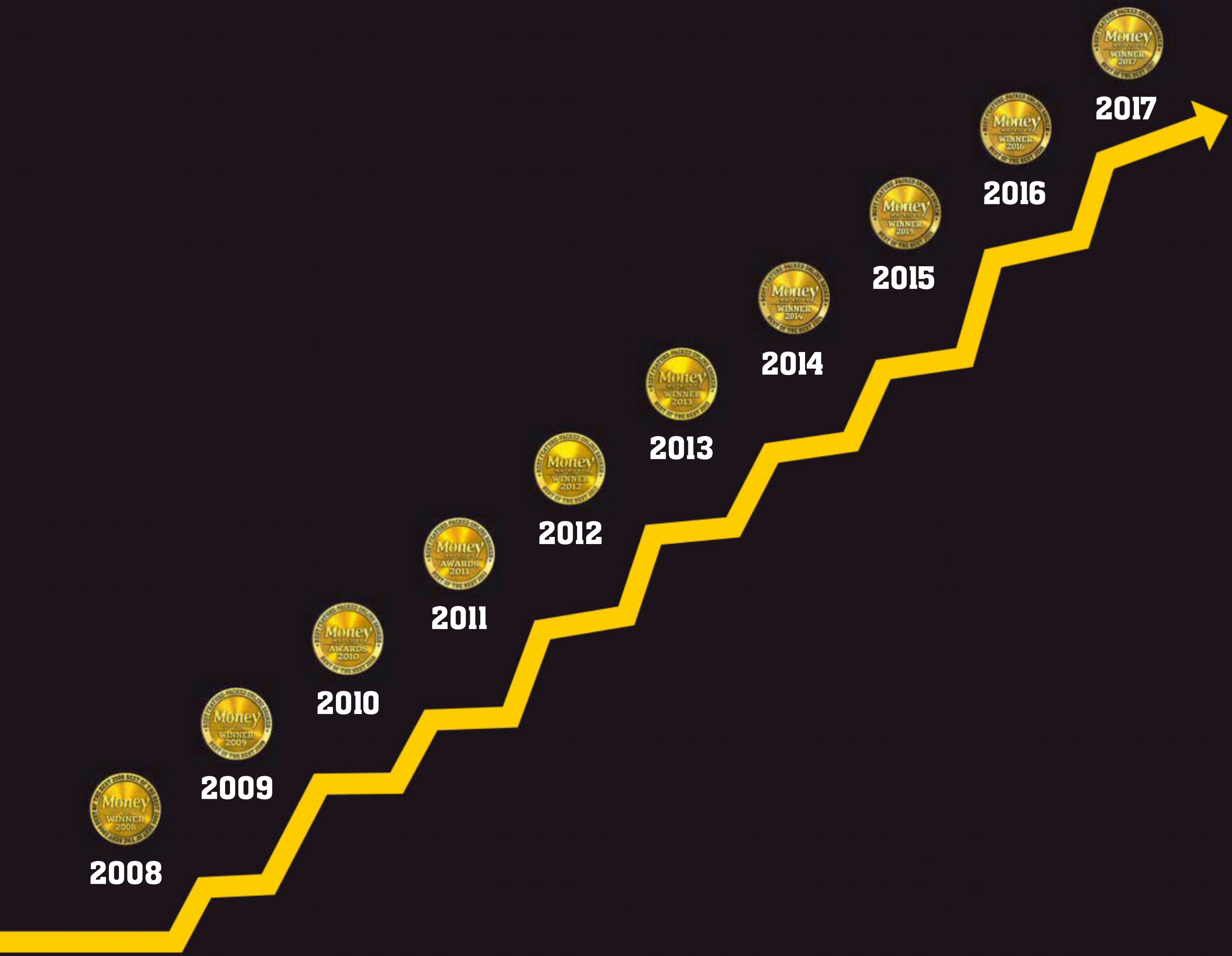
Third is **nabtrade**, which offers its customers a blog on trading insights and ideas, stock recommendations and a range of trading tools.

HOW SEX SHAPES OUR ACTIONS

Difference in how men & women make investment decisions



Source: NAB Asset Management



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CHEAPEST ONLINE BROKERS

GOLD WINNER CMC MARKETS

Access to a wide range of investments and services comes at a bargain price

For seven years in a row **CMC Markets** has taken the crown as Australia's cheapest broker, making it a great choice for frequent traders. "On a $10,000 trade, CMC Markets' brokerage cost of $11 was below the market average by $44.25," says Julie Nguyen, research analyst with Canstar. "And there was a $127.95 margin between CMC and the most expensive."

Apart from its bargain-basement brokerage charges, CMC has wide appeal with an array of features, which has seen it win Canstar's best-value online share trading award six years in a row.

Features include a dedicated education page, chat room forums, searchable help page and online seminars and video tutorials plus daily market reports. Workshops are also offered in various cities. The broker gives clients access to local and international markets, contracts for difference (CFDs), derivatives, shares, exchange traded funds (ETFs), foreign currency, mFunds, options, unlisted managed funds and warrants.

CMC also offers consolidated tax reports, access to past statements online, year-to-date and historical reports on interest and settlements, and summaries of CGT profit/loss and dividends. Equity gains/losses are reported for individual stocks and the overall portfolio.

Runner-up **Open Markets** is a newcomer to this category. As well as shares you can trade ETFs and warrants. You get access to ASX and NSX live company news and a charting package with seven key indicators.

	BROKER	PRODUCT	ASX SHARES ONLINE TRADE	
			FEE[1]	TRADE FREQUENCY
1	CMC Markets Stockbroking	Classic	$11 or 0.1% $9.90 or 0.08% $9.90 or .075%	1-10 trades pm 11-30 trades pm 31+ trades pm
2	Open Markets	WebTrader	$13.95 or 0.07% $9.95 or 0.06%	1-40 trades pm 41+ trades pm
3	First Prudential Markets	IRESS Online	$14.95 or 0.11%	per trade

Source: CANSTAR. [1]Whichever is greater.

The winners were ranked by the cost of a $10,000 trade. Ongoing and set-up fees were included.

CHEAPEST NON-ADVISORY PHONE BROKERS

GOLD WINNER FP MARKETS

Investors who trade over the phone, rather than online, needn't pay extra

Some share traders still feel more comfortable buying and selling shares by placing orders over the phone rather than online, especially those new to the sharemarket.

If that describes you, then **First Prudential Markets** is your kind of broker. First Prudential's long-standing practice of not penalising phone traders – unlike other online brokers – has seen it win this category eight years in a row.

"First Prudential Markets has the cheapest brokerage cost on a $10,000 phone trade of $14.95, $70.35 cheaper than the market average," says Julie Nguyen, research analyst with Canstar. "And compared to the most expensive cost of $142.45 it's really cheap." So even at $40 and $49.95 our runners-up are still comparatively cheap.

No matter how you trade, FP is one of Australia's lowest-cost brokers, also coming in at No. 3 in the Cheapest Online Broker category (see above).

It offers clients education and research, including a webinar each Monday to discuss the trading week ahead, daily market reports delivered to your inbox before the market opens, market snapshots, a dividend calendar and access to its model portfolio.

	BROKER	PRODUCT	ASX SHARES PHONE TRADE		
			$10,000 TRADE FEE	FEE	TRADE RANGE
1	FP Markets	IRESS Online	$14.95	$14.95 0.11%	$0-$13,590 $13,591+
2	Morrison Securities	htmlIRESS	$40.00	$40.00 0.1%	$0-$40,000 $40,001+
3	Macquarie Bank	Online Trading	$49.95	$49.95 0.30%	$0-$16,650 $16,651+
3	Suncorp	Share Trade	$49.95	$49.95 0.33%	$0-$14,999 $15,000+

Source: CANSTAR.

The winners were ranked by the brokerage cost of a $10,000 phone trade. Ongoing and set-up fees were included.

FP Markets also provides investors with contracts for difference (CFDs), under transparent direct market access (DMA) pricing, and margin foreign exchange contracts.

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Money magazine's Best of the Best award for Cheapest Online Broker 2011, 2012, 2013, 2014, 2015, 2016, 2017. Conditions apply. Seek independent advice and consider the relevant Terms and Conditions at cmcmarkets.com.au when deciding whether to invest in CMC Markets products. CMC Markets Stockbroking Limited (ABN 69 081 002 851 AFSL No. 246381).

››› THE BIG QUESTIONS FOR 2017

Set a high standard

Adam Gee
CEO, SuperRatings

THE LOW-RATE ENVIRONMENT HAS BEEN TOUGH FOR SUPER FUNDS, ALTHOUGH MANY HAVE STILL HAD POSITIVE RETURNS. WHAT CAN WE EXPECT IN 2017 IN TERMS OF VOLATILITY AND RETURNS?

It has been a more challenging year for superannuation funds, with subdued investment markets resulting in lower returns for many members. With the expectation of continued volatility and a lower-return environment for potentially longer, it is even more important for members to continue to closely monitor the performance of their fund to ensure it continues to deliver competitive returns.

The top-performing funds for 2016 were generally the ones that maintained smaller allocations to listed equity markets. Instead, they had larger allocations to unlisted investments, such as direct property, infrastructure and private equity. The top-performing balanced fund (those with between 61% and 76% allocated to growth assets) for the year to June 30 was BUSSQ Premium Choice – Balanced Growth with a return of 7%.

With a number of key economic challenges and political uncertainty hanging over global markets, 2016-17 is likely to be another one with high levels of volatility and subdued investment returns. Concerns about the strength of the global economy continue to play out, with interest rates remaining at all-time lows in many countries and no sight of any material increases expected over the coming 12 months (although talk continues about the potential for a US rate rise). Political considerations are also likely to impact global markets, especially with the election of Donald Trump as US president and uncertainty about his future actions.

Concerns are also evident about the potential for a residential property market bubble in Australia's key eastern state capital cities, while the returns on fixed interest and cash remain anaemic, given that interest rates globally remain at such low levels.

With this in mind, many super funds continue to place themselves defensively from an investment perspective, with many looking to protect capital rather than allocating large sums to higher-risk assets. For super fund members, this is likely to mean a continuation of the volatility and subdued returns experienced in 2016.

As with any investment, the key is to continue to track the performance of your super fund over the longer term to ensure it is keeping pace with some of the best performers, with an acceptable level of risk, particularly for older members closer to retirement.

CHANGES

IT'S TIME TO START COUNTING DOWN TO THE SUPER CHANGES COMING INTO PLAY. WHAT SHOULD INVESTORS DO?

The changes mean people can make higher contributions to super now than will be allowed next financial year. The current non-concessional limits allow $180,000 a year (or up to $540,000 over three years for those under 65). This will be cut to $100,000 (or $300,000 over three years).

As well, if your balance is greater than $1.6 million you will no longer be able to make a non-concessional contribution, so plan now to maximise contributions of up to $540,000.

From July 1, the tax-free pension account limit will be capped at $1.6 million. Amounts greater than this will need to be transferred. The decision will be whether to move it into a super account that attracts the 15% tax on earnings, or to withdraw it from super and potentially pay no tax on earnings if invested in your own name,

If invested over a long period, it is likely that leaving the money in super will result in a better tax outcome than would investing in your own name.

Jonathan Philpot
Partner, wealth, HLB Mann Judd Sydney

ASSETS

HOW CRUCIAL SHOULD IT BE FOR AUSTRALIANS TO BUILD INVESTMENTS OUTSIDE SUPER AND WHAT ARE THE BEST OPTIONS?

Despite the uncertainty about changes to super, there are some basic rules of thumb to follow:

1. Eliminate your mortgage and all other debts before retiring so you have security in your retirement.

2. Even with the changes, you are likely to be better off holding your funds in the low-taxed (maximum 15%) super environment.

3. You can earn $18,200 tax free in your personal name outside super but this can increase to about $32,000 for mature-aged investors.

With the new tax on super account balances of more than $1.6 million, wealthy people need new asset location strategies.

The changes mean you may need alternative tax-effective ways to invest your wealth. You don't want to be leaving a tip for the tax man by paying too much – he just doesn't deserve it. These may include a company structure, trust/s or individual/joint holdings of your investments. Every investor's situation will be different and requires tailored independent advice.

Claire Mackay
Director, Quantum Financial

SMSF

WHAT DO SMSF INVESTORS NEED TO START THINKING ABOUT IN 2017 – AND DO THEY NEED TO ADJUST THEIR ALLOCATIONS?

Diversification across regions and asset classes is vital – as Brexit highlighted, you can't be totally isolated in financial markets. Possible increases in US interest rates are pressuring bonds and their 35-year bull run may be coming to an end. Investors may need to take stock of their exposure.

Good investments are harder to come by but they are still out there. Asia, excluding Japan, continues to grow. Select an active manager on the ground for local knowledge.

The hype around residential property has pushed commercial property into the shadows, but with commercial yields at attractive margins to cash rates, there may be opportunities for long-term investors – after careful due diligence.

Be disciplined in taking profits off the table and keeping good cash reserves. We believe liquidity is vital for self-funded retirees and for opportunities to buy investments during market dips.

Any investment is subject to risk and there can be no guarantees.

Nerida Cole
Managing director, advice, Dixon Advisory

DOWNLOAD NOW

SuperBoosterDay.com.au
Launched in September 2016, Super Booster Day is an educational campaign brought to you by *Money* and the Association of Superannuation Funds of Australia. Our website directs you straight to the resources you need to maintain a healthy super balance, including detailed directions on how and why you should make extra contributions.

ResponsibleInvestment.org
If you're passionate about ethical investing, Responsible Investment Association Australasia, which has over 160 members and manages more than $1 trillion in assets, lists all funds that it has certified. Using the "certification" tab you can pull up a file showing how long a fund has been certified and its investment exclusions, such as tobacco and weapons.

Mad Fientist podcast Online, iTunes
While this podcast is pretty US-centric, it still makes for an inspiring, highly informative listen. The "Fi" in Fientist stands for financial independence – an American buzzword meaning early retirement. Each segment is about 30 minutes to an hour long and involves the host interviewing real people about how they achieved their financial goals.

Focus on long term

Investment returns after fees and tax are what really count, writes SuperRatings CEO Adam Gee

BEST SUPER FUND MANAGER

GOLD WINNER CARESUPER

JULIE LANDER
CEO, CARESUPER

Melbourne-based CareSuper has been named *Money's* Best Super Fund Manager for the second year in a row. In a field of over 440 products, CareSuper's strong investment performance, after fees and taxes, continued to see it rise above the pack.

The fund has built on its strong member servicing capabilities, as well as enhancing its communications to members over the year. It has also managed to negotiate a new insurance contract with no major impact on sums insured, terms and conditions or premiums, which is a rarity in the challenging insurance market.

In an increasingly competitive environment, CareSuper continues to demonstrate that members should focus on the total investment return after fees and taxes, rather than purely fees, when selecting a fund. Once again, the fund has delivered its 200,000-plus members excellent value for money, with outstanding returns consistently achieved over long periods.

Investment performance, net of fees and taxes, is one area where CareSuper continues to perform extremely well against peers. To June 30, 2016, the fund's default balanced option returned 6.4%pa over 10 years for its super members, compared with an industry average of 5.4%pa. CareSuper has a strong tradition of utilising an active approach to managing its investments, which has added significant returns to accounts over the long term.

"At CareSuper we are focused on achieving long-term outperformance and a strong net benefit outcome for members on a consistent basis so that they may enjoy better lifestyles in retirement," says CEO Julie Lander. "This award confirms that CareSuper's investment strategy, its range of options to meet differing member needs and its focus on quality and customer experience add up to be the best of the best."

While CareSuper's fees may not be the lowest, it has delivered outstanding returns. Members pay $1.50 a week plus 0.2% of their balance each year in administration fees, while the investment management fee for its balanced option is 0.86%pa (including performance fees). The fund's percentage-based administration fees are capped, with the portion of an account balance over $250,000 not being charged an administration fee.

CareSuper is also a leader in customer service, with a wide range of education materials and interactive calculators, while its tailored online electronic statements, including retirement income projections, help members to see how their super is tracking. The fund also offers access to limited or comprehensive financial advice, ensuring that the fund meets a wide range of member needs.

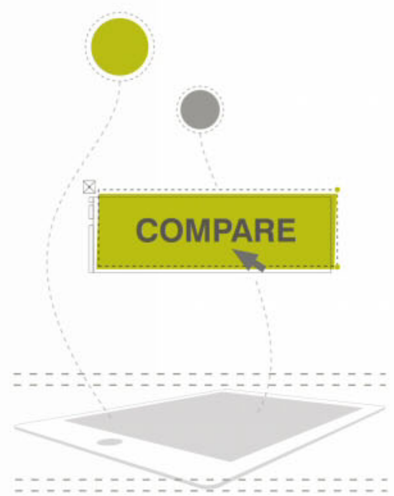
SUPER STATS	CARESUPER	INDUSTRY AVGE	MEASUREMENT
Fees	$608	$641	On a $50,000 account balance in the accumulation division
Returns	6.38%pa	5.35%pa[1]	Annual return over the past 10 years to June 30, 2016
Insurance cover	$50,232	$52,876	Death and permanent disablement cover for a $1 a week payment, 35-year-old male non-smoker in a blue-collar job

Source: SuperRatings [1]SuperRatings' SR50 Balanced Index median.

Our win is your victory

Here's why:

- 30 years' experience putting members first
- A history of strong returns after fees*
- Chosen by *Money* magazine – twice



caresuper.com.au

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An Industry SuperFund

*Past performance is not a reliable indicator of future performance and you should consider other factors before choosing a fund or changing your investments. This advertisement contains general advice, not taking into account your objectives, financial situation or needs. Before acting on this advice you should determine whether it is appropriate for you. Before acquiring a product, first read its product disclosure statement. CARE Super Pty Ltd (Trustee) ABN 91 006 670 060 AFSL 235226 CARE Super (Fund) ABN 98 172 275 725

Keeping the faith pays off

Strong returns, low fees and flexibility make a winning combination, writes SuperRatings CEO Adam Gee

BEST PENSION FUND MANAGER

GOLD WINNER
CATHOLIC SUPER

FRANK PEGAN
CEO, CATHOLIC SUPER

Catholic Super has been named Best Pension Fund Manager for the first time. Among a field of over 175 pension offerings, Catholic Super's pension has been recognised for its strong net investment outcomes, competitive fee structure and a high level of product flexibility.

Catholic Super's pension returns, net of fees and taxes, are strong across the shorter and longer term. As at June 30, 2016, the balanced option returned 7.1% a year over 10 years for pension members, which was well above the industry average of 5.7%. Catholic Super is known for having exposure to active investment managers and offers an investment option specifically for pension members that focuses on both achieving strong returns and protecting balances from capital losses. The RetirePlus option has delivered strong returns since its launch in 2012.

Catholic Super's fee structure is also competitive, with pension members paying a low $1.95 a week plus 0.20%pa of their account balance in administration fees, while the investment management fee for the balanced option is 0.76%pa (including performance fees). This is complemented by a tailored fee structure that results in the fund's total administration fee being capped at $2601.41 a year. This recognises that pension members, on average, have higher account balances and ensures that charges are competitive.

While investment returns and fees remain a key determinant of a good pension product, the ease with which members can interact with the product and the product features are also important considerations, as it is crucial that pension members can have control of their savings on terms that suit them. Catholic Super's pension income account also performs well in this area, with members able to access scaled advice on transition-to-retirement (TTR) strategies via its advice service, while the topic of TTRs is also covered at member seminars.

Catholic Super's pension also offers payments on a fortnightly to annual basis, and allows members easy access to their funds, enabling them to request a partial withdrawal online and receive the funds in their nominated bank account within two business days to cover any unforeseen expenses.

Commenting on the award, Frank Pegan, chief executive officer of Catholic Super, said he was thrilled that it has won the gold award. "Catholic Super's success is more than its consistent and exceptional investment performance. It's also due to the care and personal attention our members receive from a service team that is supported by skilled advisers and super specialists, all of whom work together to give our members financial peace of mind throughout their retirement."

PENSION STATS	AUSTRALIAN SUPER	INDUSTRY AVGE	MEASUREMENT
Fees	$2401	$3104	On a $250,000 account balance in the pension division
Returns	7.11%pa	5.72%pa[1]	Annual return over the 10 years to June 30, 2016

Source: SuperRatings [1]SuperRatings' SRP50 Balanced Index median.

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MyLife MyPension members trust us because we’re focused on their needs. Our specialists and financial planners take the time to work with each member to create a comfortable lifestyle in their retirement.

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BEST BALANCED SUPER FUNDS

GOLD WINNER CBUS

Property and alternative assets have been good for retirement savings

FUND		OPTION	OPTION SIZE	RETURNS 1 YEAR	RETURNS 3 YEAR	RETURNS 5 YEAR	ANNUAL COST, $50,000
1	**Cbus**	Growth (MySuper)	$28,359m	5.47%	9.75%pa	9.30%pa	$498
2	**Hostplus**	Balanced	$15,125m	5.00%	9.81%pa	9.23%pa	$718
3	**BUSSQ**	Balanced Growth	$323m	7.00%	9.80%pa	9.20%pa	$438

Source: SuperRatings.

The winners were selected from SuperRatings' platinum-, gold- and silver-rated funds. To qualify, each fund had to be a public-offer fund with more than $3 million under management and to have at least a five-year track record. Winners were chosen on the basis of five-year performance, net of all fees and fund taxes – except in the lowest-cost, pension, insurance and green categories.
Returns and fees are as at June 30, 2016. Fees and other features may have changed since that date. Fees include an estimate of performance fees based on most recent fund report.

Cbus Growth wins the award for best-performing balanced fund with 67% in growth assets and the remainder in conservative investments.

The 32-year-old public offer fund, originally established as the super fund for workers in the building and construction industry, has returned 9.3%pa over the past five years, outstripping the average super fund return of 7.92%pa as measured by SuperRatings.

A feature that sets Cbus apart from the typical super fund is its direct investments in existing office, retail, industrial and residential property as well as its role in developing buildings, providing work for its members. The fund says it has provided work for 70,000 people on its projects. Cbus Property, a fully owned subsidiary of Cbus, has invested $2 billion in property, including landmark buildings such as 5 Martin Place and 1 Bligh Street in Sydney, plus the converted *Herald Sun* building, with the 35-storey Ernst & Young tower, at 8 Exhibition Street in Melbourne.

Cbus Growth holds 13% of its assets in property and 24% in alternative investments such as infrastructure and private equity. This has proven to be a top strategy to date as members' super investments have benefited from the property boom. Also the fund is broadening its infrastructure investments and recently purchased the 250-kilometre Indiana Toll Road in the US through the international infrastructure fund managed by Industry Funds Management (IFM). It also hired an infrastructure manager in 2016 and a team of infrastructure specialists.

Cbus has about 733,900 members (the average age is 38) with an average balance of $46,160. The Cbus Growth option is the fund's MySuper default for members who don't choose a fund.

The Cbus Growth administration fee is $78pa plus 0.1% of assets. The investment management fee rose over the year from 0.81% to 0.84%.

The fund offers members a range of services including financial planning, health insurance, life, TPD and terminal illness insurance, credit cards and binding nominations. But it does not offer long-term income protection insurance. It recently extended TPD cover up to the age of 70.

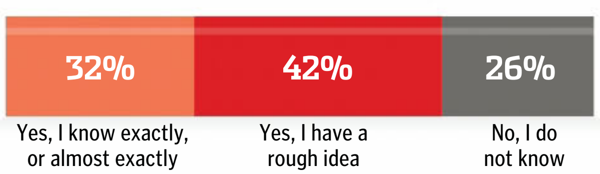
EASY WAYS TO BOOST SUPER

You can boost your retirement savings without making extra contributions:

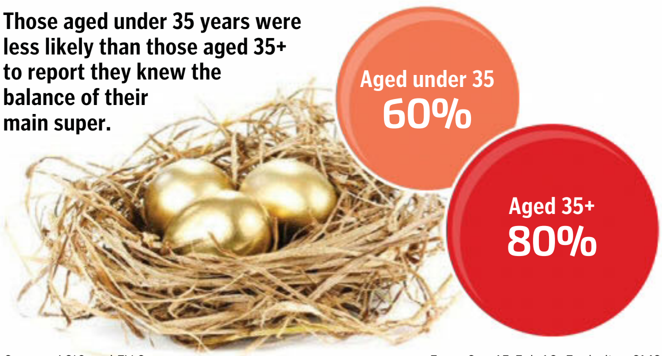
- Look for lost super at my.gov.au.
- Check that your fund has your correct tax file number.
- Check your pay slip to make sure your employer is contributing 9.5% to your fund.
- If there haven't been payments to your superannuation or if the amount is incorrect, follow it up with your employer.
- If there are issues, contact your fund to find out the timing of your last payment. Download the fund's app to make regular checks easier.
- If you earn $37,000 or less a year, you are eligible for a low-income contribution of up to $500 from the government.

WHO'S ON TOP OF THEIR GAME

Reported knowledge of value of main super fund



Those aged under 35 years were less likely than those aged 35+ to report they knew the balance of their main super.



Source: ASIC and EY Sweeney

From Sep 15-Feb 16. Excluding SMSF

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BEST GROWTH SUPER FUNDS

GOLD WINNER BUSSQ

Diversification, including investment in sheep and cattle stations, boosts returns

	FUND	OPTION	OPTION SIZE	RETURNS 1 YEAR	3 YEAR	5 YEAR	ANNUAL COST, $50,000
1	**BUSSQ**	High Growth	$203m	7.36%	10.78%pa	10.13%pa	$453
2	**CareSuper**	Growth	$564m	3.04%	9.92%pa	9.74%pa	$623
3	**AustSafe Super**	Super Growth	$49m	3.25%	10.38%pa	9.63%pa	$530

Source: SuperRatings.

BUSSQ has been buoyed by good returns from its direct property, infrastructure and agricultural investments.

The $3.8 billion fund was originally set up for Queensland construction and building workers but is now open to the public and has 90,000 members.

One of BUSSQ's advantages is that it has diversified away from traditional asset classes that are underperforming. It holds 34% in Australian shares, 30% in international shares, 12% in infrastructure, 12% in property, 5% in opportunistic debt, 4% in global private equity and 3% in agriculture.

In a climate of low returns, BUSSQ's portfolio of Australian property and infrastructure returned 11%, sheep and cattle stations earned 20% and shares returned around 5%, whereas the sharemarket generally returned less than 1%.

BUSSQ invests in a wide range of infrastructure and property developments such as the Robina Town Centre, Pacific Fair and Logan Hyperdome in Queensland, Macquarie Centre and Warringah Mall in Sydney, Eastland in Melbourne and Garden City in Perth. It has a stake in airports such as the Gold Coast, Townsville, Mackay, Cairns and Mt Isa. It also has investments in hospitals, toll roads, ports, and cattle and sheep properties throughout Australia.

The high-growth option has an investment objective to beat inflation by 4.5% a year. But higher returns do mean a higher chance of negative returns. In the case of this fund, it expects one negative return every five years. The recommended investment time frame is 10 years.

BUSSQ has kept its administration fee at a flat $1.50 a week or $78 a year and charges an investment management fee of 0.8%pa.

To help fund members claim all their entitlements from recalcitrant employers, BUSSQ has an arrears department that works with unions, employers and major contractors to chase up unpaid super contributions.

The Premium Choice options offer additional insurance to BUSSQ's MySuper that include income protection as well as death and total and permanent disability.

TAKE THE DIRECT ROUTE

Increasingly superannuation funds are competing with self-managed funds and offer direct shares, term deposits and exchange traded funds (ETFs) in addition to diversified options and single-asset classes. Check to see whether your super fund offers a member-direct option. It typically allows fund members to buy shares in the top 200 or 300 Australian companies listed on the ASX as well as a range of diversified, low-cost ETFs that provide instant access to global markets. The administration and brokerage fees are typically low. Easy-to-use online platforms feature live stock quotes, investment tools including watch lists, and investment education.

POOL OF WEALTH: WHO HAS WHAT

Mean balance and coverage (2013-2014)

Gender	Age	Balance	% with super
Males	15+	$98,535	73%
Females	15+	$54,916	66%
Males	30-34	$36,373	89%
Females	30-34	$25,549	82%
Males	60-64	$292,510	79%
Females	60-64	$138,154	65%

Source: ABS

We're a national industry super fund and for over 30 years we've stood beside our members and their families and friends, as they've worked hard to build Australia.

We have a long track record of delivering superior performance and this win is further proof.

No matter what industry you work in, if you're after a fund that will assist you to grow your super so you can build a better future, BUSSQ is for you.

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BEST CAPITAL STABLE SUPER FUNDS

GOLD WINNER VICSUPER

Defensive assets help reduce the risk of negative investment returns

VicSuper FutureSaver Capital Stable wins for the second consecutive year for its conservative investment option that has a low risk of negative returns.

FutureSaver holds 62% of the portfolio in defensive investments and 38% in growth assets, which include 6% in alternatives. Index and enhanced index investments help keep the investment fee at a low 0.38%. The admin fee is $1.50 a week, plus an asset-based fee of 0.28% that is capped at $125 a month.

VicSuper is a $16 billion former Victorian public sector fund that has 240,000 members. It uses environmental, social and governance (ESG) factors in its investment process.

	FUND	OPTION	OPTION SIZE	RETURNS			ANNUAL COST, $50,000
				1 YEAR	3 YEAR	5 YEAR	
1	**VicSuper FutureSaver**	Capital Stable	$861m	3.67%	7.59%pa	7.14%pa	$408
2	**Catholic Super**	Mod Conserv	$118m	5.59%	7.18%pa	7.08%pa	$459
3	**AustralianSuper**	Stable	$1448m	5.15%	6.83%pa	6.91%pa	$273

Source: SuperRatings.

VicSuper provides financial advice and education that is typically free. It holds seminars throughout Victoria on retirement, transition to retirement pensions, women and retirement, plus topics such as the Centrelink changes that affect retirees. Its Super Woman Money Program is a dedicated website that includes five-week money courses.

Our second placegetter is **Catholic Super's Moderately Conservative** fund, which had a strong one-year performance of 5.59%. Of the 40% in defensive investments, Catholic Super's conservative fund has 10% in defensive alternatives, 6% in growth alternatives and 3% in infrastructure.

BEST-VALUE INSURANCE IN SUPER

GOLD WINNER INTRUST SUPER

Generous protection is provided without the need for medical check-ups

Intrust Super has won the gold award for the fifth consecutive year for its standout insurance. Intrust is a Queensland-based fund that was originally set up to cover hospitality workers and is now a public offer fund that accepts everyone.

It offers three sorts of insurance – life, total and permanent disability (TPD) and income protection – without medical checks.

Those under 40 receive default life and permanent disability default cover of $300,000. Two units of insurance cost $5.10 a week.

	FUND	OPTION	FUND SIZE	RETURNS			ANNUAL COST, $50,000	AVGE COST OF $100,000 COVER[1]			
				1 YEAR	3 YEAR	5 YEAR		DEATH & TPD		INCOME PROTN[2]	
								AGE 35	AGE 45	AGE 35	AGE 45
1	**Intrust Super**	Balanced	$1945m	3.5%	9.4%pa	8.6%pa	$523	$88	$117	$635	$635
2	**Equip**	Balanced	$7157m	2.8%	8.8%pa	8.6%pa	$468	$43	$123	$393	$679
3	**legalsuper**	Balanced	$2853m	3.6%	8.8%pa	8.4%pa	$558	$92	$92	$322	$592

Source: SuperRatings. [1]Annual cost of $100,000 worth of cover for a fund balance of $50,000. [2]30-day wait

The winners were ranked on the value for money of the insurance they offered, both qualitatively and quantitatively. This includes insurance rates, terms and conditions and automatic acceptance levels.

Intrust's PayGuard income protection insurance is a standout, automatically covering full-time, part-time and casual members. All members also have up to 90% of their income protected. As well, the insurer pays an additional 10% into the member's super fund. The default waiting period ranges from 21 to 90 days.

Second placegetter **Equip** also offers automatic acceptance for members. This means that if you have an existing medical condition you may still be able to get some insurance cover and have it continue even after you leave your employer.

intrustsuper

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BEST GREEN SUPER FUNDS

GOLD WINNER LOCAL GOVERNMENT SUPER

Take an ethical stand by avoiding companies with unsustainable practices

	FUND	OPTION	OPTION SIZE	RETURNS			ANNUAL COST, $50,000
				1 YEAR	3 YEAR	5 YEAR	
1	Local Gov Super (NSW)	Balanced Growth	$822m	3.4%	8.4%pa	7.5%pa	$400
2	Christian Super	MyEthicalSuper	$653m	2.7%	7.5%pa	7.9%pa	$651
3	HESTA Super	Eco Pool	$420m	6.6%	11.2%pa	10.8%pa	$510

Source: SuperRatings.

The winners were chosen on the basis of the environmental and social responsibility of their investments.

The winning **Local Government Super (NSW)** is deeply committed to investing along environmental, social and governance (ESG) guidelines because it believes these issues can pose significant risks to retirement savings.

Since its inception in 2000 LGS has taken a negative screening approach across its $9 billion in assets and won this category numerous times. It screens out investment in tobacco, gambling, armaments, old-growth forests, high carbon-sensitive sectors such as coal mining, coal-fired utilities and oil tar sands, as well as excluding companies with poor management of ESG risks.

The LGS Sustainable Australian Shares option now has an extra screen that excludes financial services companies based on their corporate conduct. "The risks for investors as a result of poor conduct in the financial services sector include the potential of legal action, harsh penalties and increased regulation, as well as the erosion of community trust and social licence in the financial services sector," says Peter Lambert, LGS chief executive officer.

LGS charges a low admin fee of $1.50pw with no asset-based fee. The average investment management fee is 0.5%.

LOWEST-COST BALANCED SUPER FUNDS

GOLD WINNER HOSTPLUS

Cut-price fees for investments that track an index mean higher returns for members

	FUND	OPTION	OPTION SIZE	RETURNS			ANNUAL COST, $50,000
				1 YEAR	3 YEAR	5 YEAR	
1	Hostplus	Indexed Balanced	$45m	2.20%	9.02%pa	9.09%pa	$88
2	AustralianSuper	Index Diversified	$84m	2.66%	7.32%pa	6.66%pa	$138
3	NGS Super	Indexed Growth	$16m	3.76%	8.64%pa	-	$200

Source: SuperRatings.

The winners were chosen from SuperRatings' platinum-, gold- and silver-rated balanced funds and ranked on their annual costs associated with a $50,000 balance.

The **Hostplus Indexed Balanced** option's rock-bottom fees assured its fifth consecutive winning year as the lowest-cost balanced super fund.

The investment management fee is only 0.015%pa, down from 0.02%. The administration cost of a flat $1.50 a week ($78pa) is unchanged since 2004. Hostplus stands out among funds, many of which now also charge an asset-based administration fee: commendably it has retained the fixed amount.

The option keeps costs down by using passive rather than active investments. Hostplus currently has an asset allocation of 37.5% to Australian shares with IFM, 37.5% to international shares (BlackRock), 15% to fixed income (Macquarie) and 10% to cash (Citigroup).

Hostplus has improved its insurance arrangements by cutting premiums by 3% and extending death cover from age 65 to 70. It has extended terminal illness conditions from 12 months to two years.

The second and third placegetters – **AustralianSuper Index Diversified** and **NGS Super Indexed Growth** – are, as their names indicate, also index investment options with low fees.

@socialLGS

Local Government Super

BEST GREEN SUPER FUND Money MAGAZINE WINNER 2017 BEST OF THE BEST 2017

LOCAL GOVERNMENT SUPER

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L0789-11/16-MON

LOWEST-COST PENSION FUNDS

GOLD WINNER ANZ

A lifestyle product automatically adjusts your investment mix as you age

ANZ Smart Choice pension wins for the third consecutive year with low fees that include a flat $50 a year for administration, 0.5% on investments and no charges for cash. It allows members to choose either automatic lifestage investments that become more conservative as they age or their own personalised investment mix from particular asset classes or pre-mixed diversified options.

For assets of $250,000, the ANZ pension costs $1400 a year – well below the $3104 charged by the average super fund and the $2264 charged by the average industry super fund, according to SuperRatings.

	FUND	OPTION	OPTION SIZE	RETURNS			ANNUAL COST	
				1 YEAR	3 YEAR	5 YEAR	$50,000	$250,000
1	**ANZ Smart Choice**	Growth	$4m	3.68%	9.51%pa	–	$320	$1400
2	**Club Plus**	Balanced	$29m	3.09%	8.96%pa	8.29%pa	$374	$1494
3	**AMIST AP**	Balanced	$40m	4.92%	9.56%pa	9.05%pa	$378	$1538

Source: SuperRatings.

The winners were chosen from SuperRatings' platinum-, gold- and silver-rated balanced or default pension funds and ranked on their annual costs for a $250,000 balance.

Members can invest in a lifestage option, which changes depending on whether you were born in the 1940s, 1950s or 1960s. For example, if you were born in the 1940s, 80% of your funds are invested in defensive assets and only 20% in growth assets. If you were born in the 1950s, defensive assets account for 62% of the investment and growth assets for 38%.

Or, members can mix their own investments from three diversified options (conservative, moderate and growth) and five direct asset classes.

The pension also provides automatic death insurance, including terminal illness, up to age 75, but you can opt out.

BEST-FEATURED PENSION FUNDS

GOLD WINNER SUNSUPER

A signing-on bonus complements the low fees and range of investment choices

Sunsuper for Life Income pension's winning features include a retirement bonus for signing up. These helped Sunsuper also pick up an innovation award (see page 93).

The balanced option charges a low investment fee of 0.39%pa plus an extra 0.09%pa for managers who exceed their performance target.

The signing-on bonus is for Sunsuper members who have been with the fund for at least 12 months before activating the income account. It amounts to 0.3% of your income account balance and is funded by the lower tax that the fund pays.

	FUND	OPTION	OPTION SIZE	RETURNS			ANNUAL COST	
				1 YEAR	3 YEAR	5 YEAR	$50,000	$250,000
1	**Sunsuper for Life Income**	Balanced	$667m	3.5%	9.7%pa	9.1%pa	$498	$1658
2	**AMP Flex Super Choice Pkg**	Super Easy Balanced	$991m	3.2%	9.2%pa	9.2%pa	$476	$1796
3	**OnePath OA Frontier Pens.**	Vanguard Growth Index	$80m	4.3%	10.1%pa	10.0%pa	$420	$2100

Source: SuperRatings.

The winners were ranked on a combination of flexibility – such as an ATM card link to the account for easy access – and service features; costs were required to be competitive with peers.

If you have $100,000 you receive $300, rising to $900 for $300,000 and a maximum of $2400 for $800,000.

Sunsuper offers simple, free, over-the-phone advice as well as more comprehensive face-to-face advice with a planner. Pensioners can activate a "Today and Tomorrow" strategy that puts an amount equal to twice their annual income payment into cash while the remainder stays in the balanced investment option. Income is paid from the cash account until there are no funds left to make the regular payments.

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BEST-FEATURED MARGIN LOANS

GOLD WINNER COMMSEC

Access to online tools, plus a rewards program, help investors manage their portfolio

This category has been dominated by CommSec and ANZ, with CommSec this year regaining top spot after coming second to ANZ last year.

"**CommSec** exhibited comprehensiveness in its offering of services, options, flexibilities and function, contributing to their achievement of a top score in seven of the nine categories considered," says Julie Nguyen, research analyst with Canstar. Margin loan customers get access to online tools to help them maximise and manage their investments, plus rewards for holding a diversified portfolio.

	BANK	VARIABLE RATE[1]	MARG. CALL CONDNS	BUFFER MARGIN SHARES	NO OF ASX 200 SHARES	AVGE LVR ASX 200 SHARES	NO OF APPR STOCKS	NO OF APPR FUNDS
1	CommSec	6.63%	24hrs	5%	198	67%	555	1669
2	ANZ	7.15%	24hrs	5%	199	69%	712	1009
3	NAB	6.90%	120hrs	5%	193	63%	479	1138

Source: CANSTAR. [1]Based on a $50,000 loan.

The winners were ranked by their scores for features offered and securities accepted.

ANZ's Cross-Rewards program is designed to appeal to frequent traders and offers a discounted interest rate on the margin loan for those who place a certain number of trades in a calendar month. Ten to 19 trades will earn a 0.25% discount in the following month and those who trade more than 20 times will get a 0.5% discount.

NAB came third. As well as offering loans on local shares and funds, it also provides finance for 1012 international shares, listed on a range of markets including the US, UK, Europe and Asia, with a maximum loan-to-value ratio of 60%.

CHEAPEST MARGIN LOANS

GOLD WINNER WESTPAC

A geared portfolio can benefit from low rates and online convenience

Westpac has won this award for the second year in a row and has done so by a large margin, says Julie Nguyen, research analyst with Canstar.

"It offers consumers the cheapest variable and fixed rate. In comparison with the market average, Westpac's variable rate at $50,000 was 1.58% cheaper and the fixed rate was 1.59% cheaper," says Nguyen.

There are no application or establishment fees with a Westpac online account and customers can borrow up to $500,000 with gearing provided against securities from ASX-listed shares and a range of exchange traded funds (ETFs)

	BANK	RANKING RATE	ADVERTISED RATE	
			VARIABLE ($50,000)	1YR FIXED IN ADVANCE
1	Westpac	5.07%	5.20%	4.70%
2	nabtrade	5.87%	6.40%	6.15%
3	Macquarie Bank	6.30%	6.95%	5.25%

Source: CANSTAR.

The winners were ranked by a scoring system for loans of $50,000, $250,000 and $500,000 using a rate based on: the 6-month average historical variable rate (30%) and the variable rate at September 1 (30%); and the one-year, fixed-in-advance rate at June 1 (40%). The loan was required to allow borrowing against shares and funds.

and managed funds. Customers can get the complete picture of their borrowings and shares in one place and monitor and transact on their loan account online 24 hours a day.

In a repeat performance, **nabtrade** came in second and also took third spot in the featured margin loans category (see above). A nabtrade margin loan gives its customers access to more than 2500 approved investments, including local and international shares, ETFs and managed funds. Nabtrade says you can combine variable-rate and fixed-rate loans with interest payable in advance or arrears within the one facility, and it offers rate discounts for large loans. You are also able to monitor your investment portfolio online.

Macquarie Bank came third. Customers can manage their margin loan and investment cash from a single consolidated bank account and automate margin loan transactions without paying extra transaction costs for withdrawal or repayment.

BEST INNOVATIVE RETIREMENT PRODUCT

GOLD WINNER SUNSUPER

Rather than taking a lump sum, retirees are encouraged to set up an income account

Sunsuper wins the most innovative investing award for its easy-to-set-up pension called the Pre-allocated Retirement Income Account.

About half of all super fund members don't know they could be 60% better off in retirement if they set up a pension, according to research house SuperRatings. Instead they leave their savings in the accumulation account and eventually take a lump sum.

As a result of its research, Sunsuper now pre-allocates a retirement income account to its members. As an incentive to activate a pension, it offers a bonus for signing up for it online.

The bonus, for members who have been with the fund for at least 12 months, is 0.3% of their income account balance and it is funded by the lower tax that the fund pays. The bonus for $100,000 is $300, rising to $900 for $300,000 and a maximum of $2400 for $800,000.

Once the member sets up the pension, the money from the accumulation fund is seamlessly transferred to the pension (using straight-through processing with online identity checks), meaning there is no time out of investment markets.

Products that were commended in the innovations category include social investing reports from Christian Super, REST Super's interactive annual statements and Leveraged Equities' direct investment margin loan.

While most annual statements report only on financial matters, **Christian Super** covers both the financial and social returns for each member's investment. It invests 100% along ethical guidelines and is keen to highlight its achievements: it has made loans to 195 students to attend university in Mexico, reunited 77 foster children with their families in Australia and produced 22,172 megawatt hours of clean energy.

Christian Super also explains how each member's funds contributed to micro loans and micro insurance. Its members supported 602,248 micro finance loans to low-income earners in developing nations and 278,085 micro insurance policies to small family businesses. The fund includes a message to members: "Thank you for changing the world through your super."

REST has replaced the annual member statement delivered by mail with a personalised electronic message sent via SMS or email. As well as providing the account balance, transaction history, employer contributions, investments, insurance cover and beneficiaries, it allows members to confirm or update their personal details.

Leveraged's direct investment loan has a low interest rate of 4.7% if it is prepaid for the year, or an ongoing rate of 5.5%. It allows investors to use a range of online brokers.

PROTECT DEPENDANTS AND YOUR INCOME

It is worth paying attention to the insurance you hold in your super fund. Most Australians have life, total, permanent and disability (TPD), as well as income protection insurance through their fund because it is a tax-effective way to hold it. But it may not be enough. Typically super funds offer a small amount of cover automatically. Take a look at how much you have, then work out whether it covers your debts, such as the mortgage, and provides for your dependants if anything were to happen to you. You can buy more cover from your fund and it is funded from your contributions.

The winners were judged based on their submissions. Invitations to submit entries were given to all institutions on the SuperRatings and Canstar database. Only products that were launched in the past 12 months were eligible. Entries for submissions closed on October 20, 2016. They were judged on innovation, scope and where applicable, price.

››› THE BIG QUESTIONS FOR 2017

The next hotspots

Peter Koulizos
Peter Koulizos is the author of *Top Australian Suburbs* and *Property vs Shares*. thepropertyprofessor.com.au

HOW WILL AUSTRALIA'S RESIDENTIAL MARKETS SHAPE UP IN 2017, AND WHAT ARE THE BEST SUBURBS AND REGIONAL CENTRES FOR INVESTORS?

To determine what may happen to the residential property market in 2017, we first need to consider what has happened during the past year. According to the Bureau of Statistics, there have been some ups and downs. The Sydney market dipped at the beginning of the year but has since recovered. Melbourne prices continue to move along quickly but the puff is about to come out of this market. Dark clouds hang over the Brisbane and Melbourne apartment markets due to an oversupply. Perth property was in the doldrums this year and property prices are now at the same levels they were four years ago. Adelaide property prices are moving up but relatively slowly.

In regards to the smaller capital cities, Hobart and Canberra property prices are up but Darwin prices are down.

As a nation, 2017 will not be as good a year for property as was 2016. This is because the two biggest cities, Sydney and Melbourne, will underperform. These two cities have completed their upward swing of the property cycle and prices will stabilise. Brisbane's house market should do relatively well but, as mentioned, its apartment market is headed for a severe correction.

Adelaide property will be the BP of the property market ("the quiet achiever"), and prices will continue to grow without much fuss or fanfare in 2017. Perth has been hit by the slump in resource activity and at best can expect the market to remain stagnant, but at worst prices and rents will continue to fall.

Despite the national property market forecast of below-average growth, if smart investors and owner-occupiers can seek out particular types of properties within certain pockets in our major capital cities, they should do very well in 2017 and beyond. The key will be to look for character/period homes in gentrifying areas.

As for regional areas, focus on towns and cities that have more than one reason for being in existence. This could be agriculture, aquaculture, university campus, retiree destination, major hospital or domestic and international tourism.

MY TOP SUBURBS FOR 2017 IN THE CAPITAL CITIES ARE:

- **Adelaide:** Thebarton, Croydon, West Croydon, Torrensville, Mile End
- **Brisbane:** Woolloongabba, Herston, Redcliffe, Margate
- **Canberra:** Narrabundah
- **Darwin:** Rapid Creek
- **Hobart:** South Hobart
- **Melbourne:** Footscray, West Footscray, Maidstone, Braybrook
- **Perth:** East Victoria Park, Victoria Park
- **Sydney:** St Peters, Tempe, Marrickville, Enmore.

BANK BEHAVIOUR

IN LIGHT OF THE RECENT INQUIRY INTO THE BANKS, WHAT STEPS SHOULD THEY BE TAKING IN 2017 TO IMPROVE?

Between the various scandals, the banking inquiry and the call for a royal commission, the large financial institutions will surely breathe a sigh of relief when 2016 is over.

Personally I think the most relevant comment made at the inquiry was the observation by ANZ's CEO that banks have become too internally focused and have "lost touch with our customers". Getting back in touch with customers and becoming attuned to what customers want their financial institution to be should be paramount.

The commercial and very acceptable reality is that banks listed on the ASX need to balance the goals of their shareholders with the goals of their customers, which can sometimes be a delicate balancing act. The bottom line, though, is that only one of those groups is likely to continue calls for a royal commission, or not. So better, faster, more "real" communication with customers should be on the to-do list of financial institutions in 2017.

Justine Davies
Editor-in-chief, Canstar

INTEREST RATES

WHAT CAN WE EXPECT FROM RATES – IS IT TIME THEY MOVED UP?

Are we at the bottom of the rate cycle in Australia? I fear not. While the Reserve Bank cash rate is at an historic low, so is inflation. If the RBA cannot see a way for inflation to move back into its 2%-3% band, it may be left with no option but to cut further.

A cash rate of 1% is possible in 2017. The federal budget is in "cut" mode, the Australian dollar is higher than it was a year earlier and wage growth is soft. None of these is helping lift economic activity or inflation.

At the same time it seems likely that fixed rates will rise in 2017. Fixed rates, generally, are more determined by international factors and the US Federal Reserve seems likely to lift its funds rate.

At the time of writing, Australia still held its AAA credit rating. This could disappear if the path towards budget surplus is not clear to the ratings agencies. A lower credit rating could lead to increased borrowing costs in Australia.

Hans Kunnen
Senior economist, St.George

P2P LENDING

IT'S BEEN A GREAT YEAR FOR THE P2P SECTOR, AND IT IS LIKELY TO GROW. HOW MUCH BETTER OFF ARE BORROWERS AND INVESTORS?

Peer-to-peer has long been popular overseas and appears to be making inroads in Australia as well, providing a viable alternative to Australians as a source of personal borrowing.

The key cornerstone of its offering is competitive interest rates, achieved through pricing for the risk of the loan (the higher/lower the risk, the higher/lower the interest rate).

Canstar's personal loan star ratings have shown that these offerings can be of high value for consumers, with Ratesetter's fixed-rate unsecured personal loan recently achieving a five-star rating. Whether a peer-to-peer product is market-leading will depend on an individual's circumstances and the rates on offer to that borrower.

The growth in retail investment in P2P has been growing, and education is the key in this regard as there are different P2P models operating in the marketplace.

The introduction of P2P is definitely disrupting the personal loan market. While the overall size of loans generated through P2P providers is relatively low compared with traditional lenders, it is growing at a healthy rate.

Mitchell Watson
Group manager, research and ratings, Canstar

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This five-minute exercise can help you get a good idea of where you stand financially. There are a few things you'll need to find out in advance, such as the value of your home, contents and vehicle. Plug in the numbers, including debts, and hopefully your net value isn't too shocking. moneysmart.com.au/calculators

ATO TAX CALCULATOR BY POCKETBOOK
COST: FREE
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This uses up-to-date tax tables to give you a near-perfect estimation of how much tax you either owe or have overpaid. The simple version doesn't tick all the boxes so make sure you select "advanced" mode. It takes everything into consideration including the Medicare levy, HELP debts and extra income.

YOUR PROPERTY SUCCESS PODCAST ONLINE, iTUNES & SOUNDCLOUD

Renovations gurus Jane Slack-Smith and John Hubbard give practical renovations tips. They interview a range of experts on trends and statistics to help keep you up to date in the property world. Slack-Smith also features stories from "real" people, which may help motivate DIY hopefuls.

CHEAPEST HOME LOANS

GOLD WINNERS BANK UBANK NON-BANK REDUCE HOME LOANS

Borrowers with a decent deposit have never had it so good

Interest rates are the lowest in memory, leaving home buyers well placed to scoop a great deal. As our winners show, if you're paying more than 4% on your home loan you're being ripped off.

In the non-bank category, Queensland-based **Reduce Home Loans** has picked up the top award for the second year in a row. The Rate Buster permits unlimited extra repayments and redraw, and borrowers who maintain a good repayment record may be eligible for a discount after five years. You will need a 20% deposit.

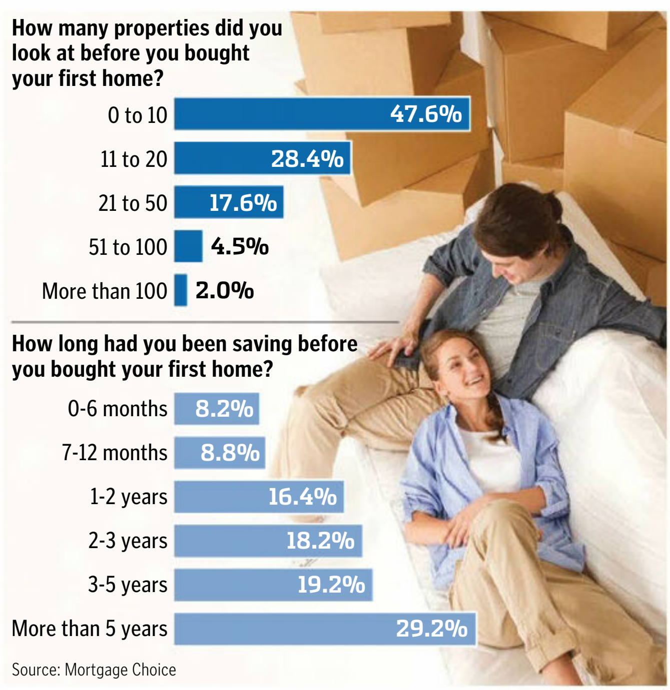
If that's a challenge, our second placegetter, Reduce's Rate Buster 100% Offset loan, could be the solution. The maximum lend is 90% of your property's value, though a loading of 0.25% applies for borrowings between 80% and 90%. Still the Rate Buster 100% Offset loan remains a low-cost option for home buyers with a 10% deposit.

		INSTITUTION	PRODUCT	RANKING COST	ADV'D RATE	FEES UPFR	FEES ANN	REDR
BANK	1	**UBank**	Value Offer	$190,015	3.64%	none	none	✓
	2	**Bank of Sydney**	Expect More	$191,773	3.64%	none	none	✓
	3	**QBANK**	Classic	$196,415	3.87%	$900	none	✓
NON-BANK	1	**Reduce Home Loans**	Rate Buster	$177,052	3.35%	$570	none	✓
	2	**Reduce Home Loans**	Rate Buster Offset	$181,870	3.44%	$570	none	✓
	3	**Homestar Finance**	Owner Occupied	$183,015	3.44%	$632.50	none	✓

Source: CANSTAR.

The winners were ranked by the total cost of the loan – the interest cost plus fees – using 50% advertised rate and 50% average 6-month historical rate, for a $350,000 mortgage over 25 years, 80% LVR. Loans had to offer redraw.

IT'S A SLOG FOR FIRST-TIME BUYERS



Source: Mortgage Choice

Among the banks, **UBank**, NAB's online lender, maintains its track record for red-hot deals, having taken out this award for five consecutive years.

Along with a low rate, borrowers enjoy the flexibility of unlimited extra repayments plus redraw ($1000 minimum each time), and a 0.10%pa loyalty discount may be applied if you keep up a healthy repayment record for three consecutive years.

Choose weekly, fortnightly or monthly repayments, and if you can't decide between a fixed or variable rate, there's a split loan option. Borrowers need to be PAYG employees and have a minimum deposit of 80% to apply for the UBank loan.

If you're not familiar with second placegetter **Bank of Sydney**, that could be because it was Beirut Hellenic Bank until a name change in 2013.

Bank of Sydney's Expect More loan offers good value, though with noteworthy restrictions. You need to be a PAYG employee with a minimum of one year in the same job, and have a minimum 20% deposit. This loan is only available for Sydney, Melbourne and Adelaide metro postcodes.

LOAN TO VALUE IS THE KEY

Loan to valuation ratios (LVRs) are becoming one of the key drivers that determine eligibility for ultra-cheap home loans. LVR refers to the percentage of a property's value you plan to borrow, and the lower it is the better placed you are to score a wafer-thin rate.

Some banks, such as Citibank, have been offering discounts for low-LVR borrowers for several years, and a growing number of lenders are adopting this approach. As a guide, around one in five home loans currently charge less than 4%. However, many have a maximum LVR of 80%, or even 70%, often with the loan pitched at refinancers.

As a guide, Homestar and Mortgage House both offer rates below 3.5% but the maximum LVR is 70%.

We're proud to be awarded Money Magazine's Cheapest Bank Home Loan, for five years running.

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CHEAPEST HOME LOAN PACKAGES

GOLD WINNERS BANK **BANK OF SYDNEY** NON-BANK **GATEWAY CREDIT UNION**

The sharpest deals provide discounts and other perks without an annual fee

Package loans bundle a range of benefits, including a discount on the mortgage rate, typically in return for an annual package fee. The comparison rate is especially useful with these loans because it takes the package fee into account, making it easier to rate them. Remember, though, to look at everything – some packages are more generous than others.

Bank of Sydney is breaking the mould by waiving the annual fee on its Expect More package. Home owners can also take advantage of a 100% offset account plus a choice of Visa Classic credit card (purchase rate of 11.95%) or a Visa Platinum card (18.49%). Repayments are limited to principal and interest; however, if you opt for a fixed rate, up to $10,000 in extra repayments can be made without penalty. Expect More is reserved for PAYG employees who have been in the same line of work for a minimum of 12 months, and is only available in Sydney, Melbourne and Adelaide metro postcodes.

		INSTITUTION	PRODUCT	RANKING COST	PKG RATE	ANN'L FEE	MIN BORR'G
BANK	1	Bank of Sydney	Expect More	$191,773	3.64%	none	$100,000
	2	P&N Bank	Home Loan & Bag	$206,004	3.89%	none	$10,000
	3	Heritage Bank	Home Advge	$209,199	3.84%	$350	$150,000
NON-BANK	1	Gateway CU	Premium Var	$203,060	3.73%	$299	$150,000
	2	Yellow Brick Road	Empower Pkg	$203,654	3.86%	none	none
	3	Newcastle Permanent	Premium Plus	$207,569	3.85%	$375	$150,000

Source: CANSTAR. Rates may vary for different-value loans.

The winners were ranked by the total cost of the loan – the interest cost plus fees – using 50% advertised rate and 50% average 6-month historical rate for a $350,000 loan over 25 years, 80% LVR. All packages had to offer a discount on the mortgage rate, a credit card with no annual fees and a deposit account with no account-keeping fees.

The Home Loan & Bag package from **P&N Bank**, based in Western Australia, gives borrowers the flexibility to mix a range of products with the added saving of no annual fee. It includes a Visa Platinum card, which has a purchase rate equivalent to the loan rate – just 3.89%, exclusive to package customers.

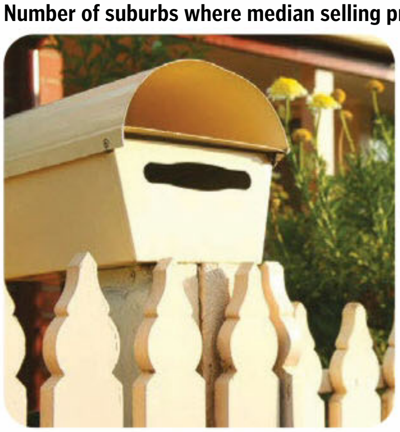
Among the non-banks, **Gateway Credit Union's** Premium package allows fee-free extra repayments, 100% offset and the option to split between variable and fixed rates. In addition, package customers can earn an extra 0.10% on Gateway term deposits and receive discounts on CGU insurance.

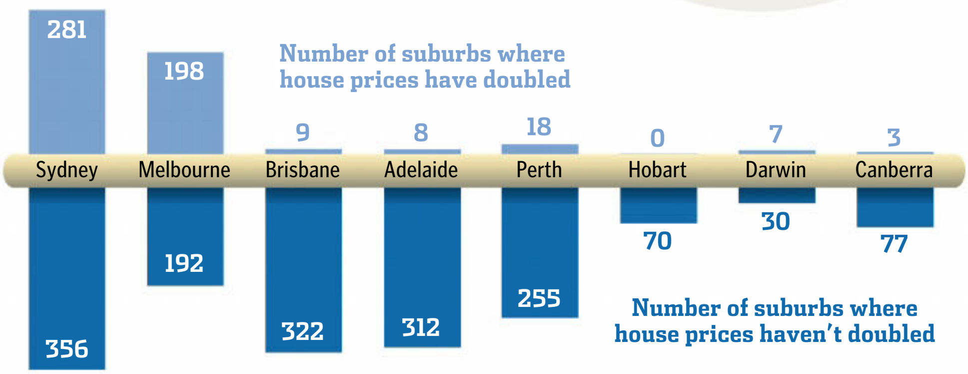
BORROWERS BUILD A BUFFER

The ability to make fee-free extra loan repayments on both variable and fixed loans has never been more important. Low rates are giving Australians an outstanding leg-up with their home loan – and it's an opportunity we're not letting pass us by. Figures from the Reserve Bank's latest *Financial Stability Review* show the total value of balances in offset accounts and redraw facilities is worth around 17% of the nation's collective mortgage debt. Put differently, it means home owners are, on average, about 2½ years ahead with their home loan. This isn't just letting them build home equity, it also provides a valuable buffer for when rates start to creep up.

10 YEARS LATER, THE PRICES HAVE DOUBLED

Number of suburbs where median selling prices have & haven't doubled over the decade to June 16





Source: CoreLogic

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*The Owner Occupier Expect More PAYG Home Loan Package applies to owner-occupiers for new loans and/or refinances from other financial institutions for a limited time only. The Special Variable Rate of 3.79% p.a. (1.85% discount off the Standard Variable Rate of 5.64% p.a.) is valid for loan amounts up to 80% of the value of the property (LVR).
The Special Variable Rate is valid as of 18.11.2016 and is subject to change without prior notice.

**The comparison rate is based on a secured loan of $150K over a term of 25 years. WARNING: The comparison rate is true only for the example given and may not include all fees and charges.
Different terms, fees or other loan amounts might result in a different comparison rate.

CRITERIA - PAYG Only, at least one year in same line of employment, principal and interest repayments and Sydney, Melbourne, Adelaide metro postcodes only.
This advice is general and does not take into account your special needs. Terms and Conditions and normal lending criteria apply. Other fees and charges may apply. Terms and Conditions for all other products also apply.
Bank of Sydney Ltd (BOS) ABN 44 093 488 629 AFSL & Australian Credit License Number 243 444.

CHEAPEST LINE OF CREDIT LOANS

GOLD WINNERS BANK **HERITAGE BANK** NON-BANK **STATE CUSTODIANS**

You can borrow up to 90% of your home's value but financial discipline is vital

		INSTITUTION	PRODUCT	ADV'D RATE	COST[1]	INT CAP'N[2]	FEES UPFR	FEES ANNL
BANK	1	Heritage Bank	Home Advg Living Equity	4.10%	$224,964	✗	$100	$350
	2	AMP Bank	Professional Pkg Classic	4.09%	$233,570	✗	none	$349
	3	BankVic	Equity Loan LOC	4.19%	$235,483	✗	none	$375
NON-BANK	1	State Custodians	Line of Credit 80%	3.59%	$196,666	✓	$286	$299
	2	Pacific Mortg Gp	Line of Credit	3.84%	$200,906	✓	none	none
	3	Yellow Brick Rd	Empower LOC	4.09%	$218,412	✓	$363	none

Source: CANSTAR. [1]The interest cost over the 30-year term. [2]Interest capitalisation allowed up to the credit limit.

The winners were ranked by the total cost of the loan, including fees and interest, using 50% advertised rate and 50% average six-month historical rate for a $350,000 loan over 25 years, 80% LVR. Variable-rate products must have six months' history and transactional facilities.

Line of credit loans work a little like an overdraft secured by your home, with the credit limit determined by the value of home equity. They often permit interest-only payments for an extended period, and money can be withdrawn from the loan for whatever purpose you like. That said, having money on tap calls for discipline, and a line of credit is only a wise choice if you're a good money manager.

This year **State Custodians** takes out the non-bank gold medal for the seventh consecutive year – proof that line of credit loans don't have to come with sky-high interest charges. Home owners can access up to 90% of the value of their home or investment property, with funds accessed via BPAY, debit card and cheque book. Interest-only payments are available for five years – a shorter period than with our other winners. However, it's not a bad loan choice for self-employed home owners earning an irregular income.

Our bank winner, **Heritage's** Home Advantage Living Equity, won this award in 2016 also. Borrowers who take out larger loans are rewarded with a rate discount, and the cheapest rate is reserved for loans of $700,000 or more. Interest-only payments are allowed for up to 10 years, and funds can be accessed via ATM, EFTPOS, phone and online banking, debit card and BPAY.

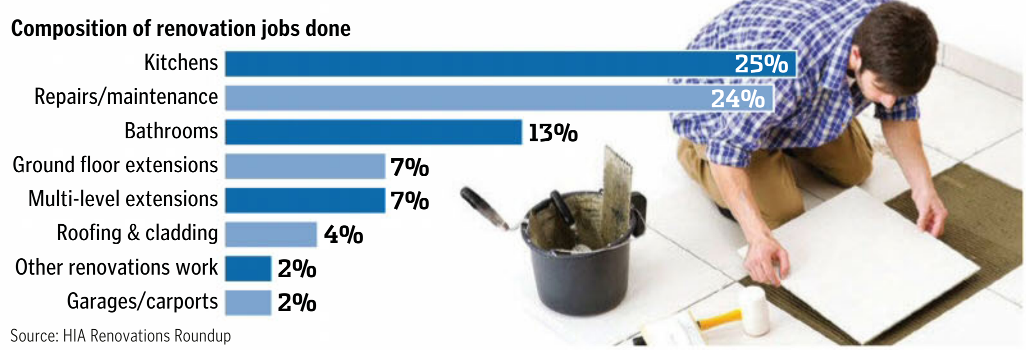
In second place among the banks, **AMP's** loan is part of the Professional Package – and no, it's not reserved for professionals. The loan can be split across as many as 10 accounts, which allows borrowers to take a "bucket" approach, managing money used for different purposes such as renovations, school fees, a new car or holidays. Here, too, interest-only payments can be made for up to a decade.

Like State Custodians, **Pacific Mortgage Group** allows borrowers to capitalise loan interest, meaning it is added to the value of the loan.

HOW INTEREST IS CHARGED

The way the available funds are accessed through a line of credit loan will determine how much interest is paid. As a guide, if you have a line of credit worth $250,000 but you draw down only $100,000 to complete major home improvements, interest will be charged on the $100,000 outstanding balance. The remaining $150,000 of available credit doesn't attract interest. If you decide later to withdraw a further $20,000 to spend on a family holiday, interest would be charged on the newly outstanding balance of $120,000, and you'd still have $130,000 in the kitty to use in the future.

HOME SWEET HOME: IT'S A WORK IN PROGRESS



Source: HIA Renovations Roundup

Orange Advantage: Bringing it home two years running.

For the second year running, we've been named **Cheapest Flexible Home Loan - Bank** for Orange Advantage. Naturally, it's nice to be recognised by the experts yet again. But with a consistently low variable rate, and the flexibility of 100% interest offset and redraw, the real winner is you. So to own your home sooner, move into an Orange Advantage today.

Apply now at ingdirect.com.au/homeloans
or call 1800 267 809
8am-8pm Mon-Fri, 9am-5pm Sat (AEST/AEDT)

ING DIRECT
How banking can be

For the curious: All applications for credit are subject to ING DIRECT's credit approval criteria. 100% interest offset when linked to our Orange Everyday transaction account. Fees and charges apply. Details of these and the terms and conditions are available at ingdirect.com.au or by calling 133 464. Products are issued by ING DIRECT, a division of ING Bank (Australia) Limited ABN 24 000 893 292, AFSL and Australian Credit Licence 229823. INGD_0488 11/16

CHEAPEST FLEXIBLE HOME LOANS

GOLD WINNERS BANK ING DIRECT NON-BANK PACIFIC MORTGAGE GROUP

A competitive rate, coupled with a range of extras, can mean big savings

		INSTITUTION	PRODUCT	RANKING COST	ADV RATE	FEES UPFR	FEES ANNL
BANK	1	**ING Direct**	Orange Advge	$200,295	3.74%	$299	$199
	2	**Heritage Bank**	Home Advge	$209,199	3.84%	$100	$350
	3	**BankVic**	Premium Home	$233,004	4.19%	none	$375
NON-BANK	1	**Pacific Mortg Gp**	Variable	$187,133	3.60%	none	none
	2	**Gateway CU**	Premium Var	$203,060	3.73%	$750	$299
	3	**Newcastle Perm**	Premium Plus	$207,569	3.85%	none	$375

Source: CANSTAR.

The winners were ranked by the total cost of the loan – the interest cost plus fees – using 50% advertised rate and 50% average 6-month historical rate, for a $350,000 mortgage for 25 years, 80% LVR. Loans had to offer free redraw, free offset, free portability and a free split facility.

Not only do flexible features make a home loan easier to live with, they can also be instrumental in allowing you to pay off the balance sooner, and that's when the big savings kick in. As our winners demonstrate, it's possible to enjoy a decent range of features without sacrificing a low rate.

Highlighting the strength of non-banks in today's market, **Pacific Mortgage Group** comes up trumps with Australia's cheapest flexible home loan for the second consecutive year. Its standard variable loan offers unlimited extra repayments and unlimited fee-free redraws with no limit on the amount. That makes this loan a real plus for borrowers who have their salary paid into the loan and withdraw funds to live on.

The maximum loan-to-value ratio (LVR) is 90% (including lenders mortgage insurance) for amounts up to $850,000; if you have a 20% deposit, the maximum is $2 million.

Our bank winner, **ING Direct**, continues to shake up the home loan market though its best rate is reserved for customers who want to borrow 80% or less of their home's value. Rates step higher for LVRs over 80% and up to 90%, and again for loans with an LVR above 90%. This loan is part of a package, so an annual fee of $199 applies.

An Orange Everyday transaction account is included with the loan and, when it is combined with the ING Direct home loan, account holders can make fee-free withdrawals from any ATM in Australia.

Gateway Credit Union's loan comes with flexible extras including the option to split between fixed and variable rates and fee-free redraw (minimum withdrawal $500). A lending limit of 95% of a property's value is available at a slightly higher rate, so it's not a bad choice for first-home buyers.

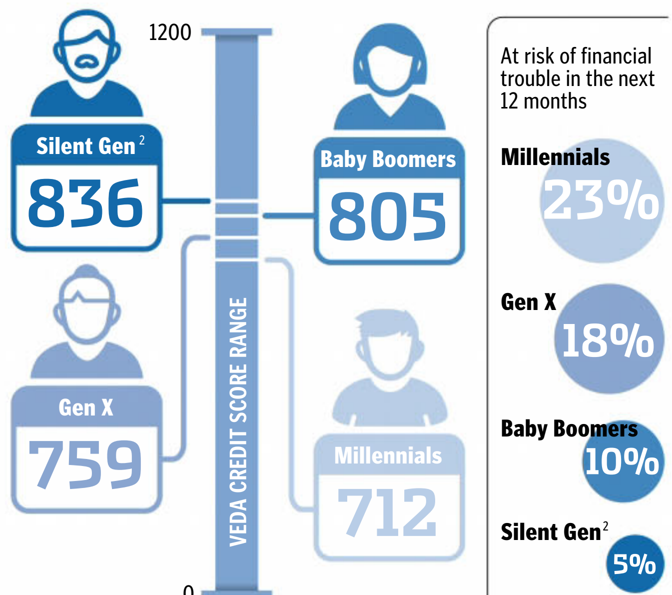
The second placegetter among the banks, **Heritage Bank's** Home Advantage variable rate loan, offers the appeal of a "holiday" if you're ahead with your loan repayments, and as a plus for first-home buyers family guarantees are available.

COMPARE APPLES WITH APPLES

Comparison rates are a valuable tool to assess different home loans. However, a study by CUA found less than one in three Australians understand what they are. The comparison rate takes into account the headline rate plus most upfront and ongoing fees, providing a clearer picture of the true cost of a loan. The comparison rate displayed in marketing material is typically based on a loan of $150,000, so be sure to ask lenders for the comparison rate that applies to your level of borrowing so you can weigh up different loans on an apples-for-apples basis.

MONEY SKILLS THROUGH THE AGES

VedaScores of credit-active Australians by generation[1]



Source: Veda

[1] A higher score means better creditworthiness [2] Born before 1945

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PACIFIC
MORTGAGE
GROUP

CHEAPEST THREE-YEAR FIXED HOME LOANS

GOLD WINNERS BANK UBANK NON-BANK PACIFIC MORTGAGE GROUP

A "rate lock" and loyalty discount add to the low-cost appeal

The non-banks may be making a big push into the home loan market but, as our results show, when it comes to three-year fixed rates, the banks are streets ahead in terms of value.

UBank, the online arm of NAB, continues its winning streak, having taken out this award last year. While it comes with a $395 upfront fee, it's not a traditional establishment fee but rather the cost of a "rate lock" facility. This means borrowers are protected against possible rate increases between loan approval and settlement, while still benefiting from any falls during that period.

Additional repayments are permitted – up to $20,000 over the fixed term without worries about break costs that can apply if a fixed loan is paid out early. Borrowers who stick with UBank after the fixed term expires are rewarded with a loyalty discount of 0.1% off the standard variable rate. You'll need a 20% deposit to be eligible for this UBank loan.

		INSTITUTION	COST	ADV. RATE	FEES		MAX ADDL PAYTS	REDRAW
					UPFR	ANNL		
BANK	1	UBank	$65,282	3.69%	$395	none	$20,000[1]	✗
	2	UniBank	$65,797	3.84%	$750	none	NAv[2]	✗
	2	Teachers Mutual Bank	$65,797	3.84%	$750	none	NAv[2]	✗
	3	BOQ	$65,853	3.59%	$450	$120	$5000[3]	✗
NON-BANK	1	Pacific Mortgage Gp	$65,442	3.65%	none	none	NAv[2]	✗
	2	Newcastle Permanent	$66,175	3.79%	none	none	$25,000[3]	✗
	3	SCU	$66,522	3.69%	$673	none	no max	✓

Source: CANSTAR. [1]For fixed term of the loan. [2]Additional payments aren't allowed. [3]Each year.

The winners were ranked by the total three-year loan repayments – the principal plus interest cost plus fees, based on a 25-year term – using 50% advertised rate and 50% average six-month historical rate for a $350,000 loan and a three-year fixed term.

UniBank's fixed-rate home loan may not allow extra repayments but it does come with a 100% offset facility, which provides borrowers with an opportunity to pay off the loan sooner while still having at-call access to cash savings. Interest-only payments are also available.

Pacific Mortgage Group is one of the smaller non-bank lenders, so while it may not offer the service of the big banks, the reward is zero upfront or monthly fees and an exceptionally low rate. Borrowers are limited to a maximum of 80% of their property's value and additional repayments are not permitted.

Newcastle Permanent may not have the lowest rate among but its fixed-rate home loan comes with a generous extra repayment allowance – up to $25,000 annually, with the option available to take a "holiday" if you're ahead with your repayments.

As redraw is not available, borrowers need to be sure they only make extra repayments with money that won't be needed in the short term.

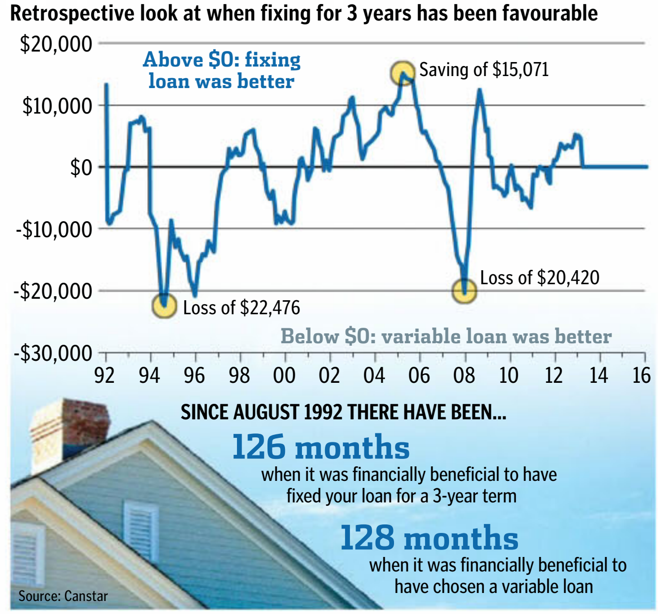
Interestingly, while this award is based on a three-year term, Newcastle Permanent is one of the few lenders to offer fixed-rate terms as long as 10 years.

VARIABLE IS BACK IN FASHION

The popularity of fixed loans ebbs and flows in line with perceptions about where rates are heading. During the GFC fears that they would rise saw 25% of home loans involve a fixed rate (in fact, rates dropped sharply within months). These days, with speculation about a Reserve Bank rate cut, more borrowers are opting for a variable loan. Figures from Mortgage Choice show that 83% of home loans in September 2016 involved a variable rate – up from 79% in August. Demand for fixed rates is lowest in Tasmania and Victoria, where 93% of new loans feature a variable rate. NSW borrowers are more likely to lock in a rate, with 79% of new loans being variable.

WINNERS & LOSERS IN THE FIXING GAME

Retrospective look at when fixing for 3 years has been favourable



And, not to mention, Money Magazine's Cheapest Three-Year Fixed Home Loan.

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CHEAPEST FIVE-YEAR FIXED INVESTMENT LOANS

GOLD WINNERS BANK UBANK NON-BANK NEWCASTLE PERMANENT

By locking in a low rate you can gain greater control over your cash flow

		INSTITUTION	COST	ADV RATE	FEE		MAX ADDL PAYTS	REDRAW
					UPFR	ANNL		
BANK	1	**UBank**	$76,432	4.27%	$395	none	$20,000[1]	✗
	2	**St.George Group[3]**	$79,916	3.99%	none	$395	$10,000[2]	✓
	3	**Westpac**	$80,076	3.99%	none	$395	$30,000[2]	✓
NON-BANK	1	**Newcastle Permanent**	$74,161	3.80%	$550	none	$25,000[2]	✗
	2	**Aussie**	$79,157	4.14%	none	none	5%[4]	✗
	3	**bcu**	$79,537	4.10%	$600	$495	no max	✗

Source: CANSTAR. [1]For fixed term of the loan. [2]Each year. [3]Includes BankSA, Bank of Melbourne and St.George. [4] Up to 5% of original loan. Penalties can apply if a loan is repaid early.

The winners were ranked by the total five-year loan repayments – the interest cost plus fees, based on a 25-year term – using 50% advertised rate and 50% average 6-month historical rate for a $350,000 investment loan with a five-year fixed term. Products must be available for interest-only repayments.

Investors are paying slightly higher rates than owner-occupiers at present. Nonetheless, with rates at historic lows it can make good sense for landlords to lock into a fixed rate.

UBank's five-year fixed investment loan comes with a $395 one-off rate-lock fee, which holds the rate at its current level even if rates rise in the period between loan approval and settlement. Up to $20,000 worth of extra repayments can be made during the fixed term, though investors are more likely to relish the interest-only payment option. You will need to be a PAYG income earner to borrow through UBank and have a minimum 20% deposit.

Westpac Group dominates the remaining places, with **St.George, BankSA** and **Bank of Melbourne** (all owned by Westpac) offering similar loans that are surprisingly flexible. Part of the Advantage package, the loans come with a transaction account and credit card. The annual fee is $395, which covers up to five investment loans – handy for investors with multiple properties in their portfolio.

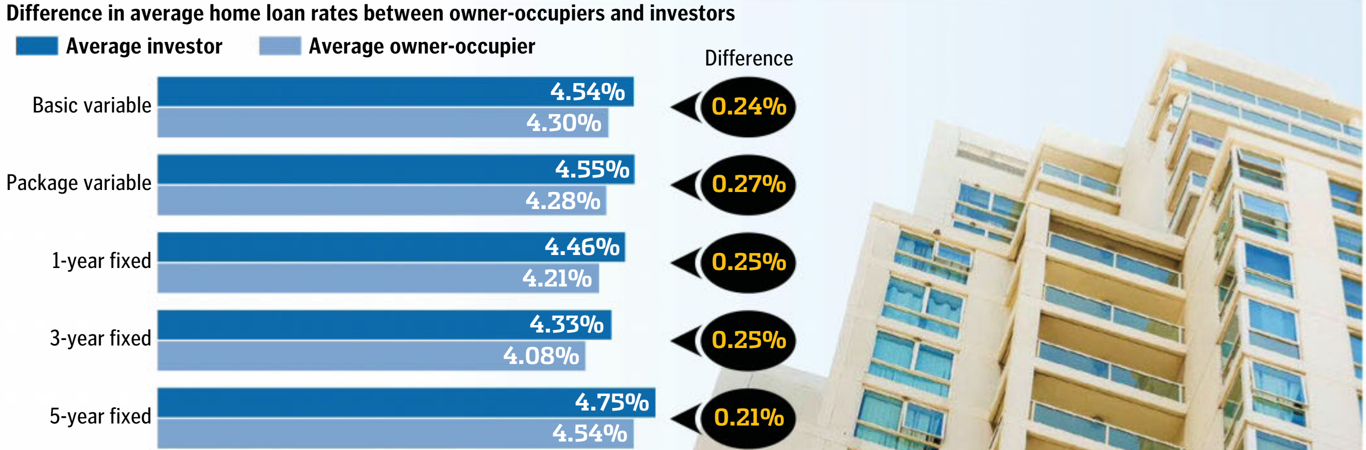
Both BankSA and St.George offer a 0.2% discount on the fixed rate to investors who pay interest in advance, and in both cases partial interest offset is available with the transaction account. Additional loan repayments of up to $10,000 a year are permitted and, unusually for a fixed loan, both St.George and BankSA provide a redraw facility with a limit of $10,000 a year before break costs apply.

Newcastle Permanent's loan for investors allows extra repayments of up to $25,000 annually, and a repayment holiday is available to borrowers who get ahead – a feature that could be handy if you plan major renovations further down the track. Interest-only payments are available, and the loan is fully portable. However, as with UBank, the maximum borrowing is 80% of the property's value.

Aussie has joined the list of lenders offering increasingly long loan terms – up to 30 years, though fixed rates are only available for a maximum of five years. Investors can take advantage of interest-only payments for a maximum of five years, and extra repayments are allowed. Redraw is not available.

OWNER-OCCUPIER v INVESTOR: WHAT THEY PAY

Difference in average home loan rates between owner-occupiers and investors



The search results do not include all home loan providers, and may not include all features relevant to you. Advertised rates.

Source: www.canstar.com.au, July 2016.

Oh, yes. And also, Money Magazine's Cheapest Five-Year Fixed Investment Loan.

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BEST REVERSE MORTGAGES

GOLD WINNER HEARTLAND SENIORS FINANCE

Drawing on equity in their home can provide retirees with a better lifestyle

	INSTITUTION	PRODUCT	RATE	TOTAL COST[1]	APPL'N FEE	VALN FEE	ANNL FEE	MAX LOAN	COMBO LUMP SUM, INSTALTS	MIN AGE
1	**Heartland Seniors Fin**	Reverse Mtge	6.19%	$95,595	$995	$350	none	$1 million	✓	60
2	**Bankwest**	Snrs Equity Rlse	6.20%	$94,416	$695	none	none	$250,000	✗	65
3	**Commonwealth Bank**	Equity Unlock	6.37%	$98,908	$950	none	$144	$425,000	✓	65

Source: CANSTAR. All loans allow extra repayments. [1]Total cost at the end of year 10 is the compounded interest payment, where interest is capitalised, and fees over the 10 years and repayment of the principal.

The winners were ranked by scores for product features (30%) and cost (70%), based on a variable-rate 10-year loan for a $50,000 lump-sum payment. Products were required to have a no negative equity guarantee and be available in NSW, Victoria and Queensland.

The latest annual Reverse Mortgage Report from Deloitte found that for many retirees home equity represents two-thirds or more of their entire wealth – well in excess of personal super savings. For these seniors, a reverse mortgage can help fund a more comfortable and fulfilling retirement.

Reverse mortgages let seniors dip into home equity by providing a loan secured by their property. Interest charges and fees are capitalised (added to the loan) with no repayments necessary until the property is sold or the last borrower has passed away.

These costs will compound over time, and a reverse mortgage can have a significant impact on the final value of your estate and your ability to fund aged care. This highlights the need to seek independent legal advice before signing up for a reverse mortgage.

The **Heartland Seniors Finance** reverse mortgage offers the flexibility of three payment options, each with differing fees.

First, the loan can be received as a lump sum, which can be used for a variety of purposes including a refundable accommodation deposit for aged care. In addition to the lump sum, home owners can elect to receive further funds in the future as an annual, quarterly or monthly drawdown.

Alternatively, seniors can receive monthly, quarterly or annual payments through a regular advance over five to 10 years, which can be useful to supplement retirement income.

A third option is to set up a cash reserve facility, which allows seniors to set aside funds for future needs such as health care or emergency expenses. Interest is charged only on the cash withdrawn.

As with all our winners, Heartland applies a "no negative equity" guarantee, meaning the final value of the loan can't exceed the proceeds of the property's sale.

Bankwest's Seniors Equity Release offers just two funding options. Cash can be withdrawn when needed, or as a lump sum.

As with all reverse mortgages, contact Centrelink to check whether payments could impact age pension entitlements.

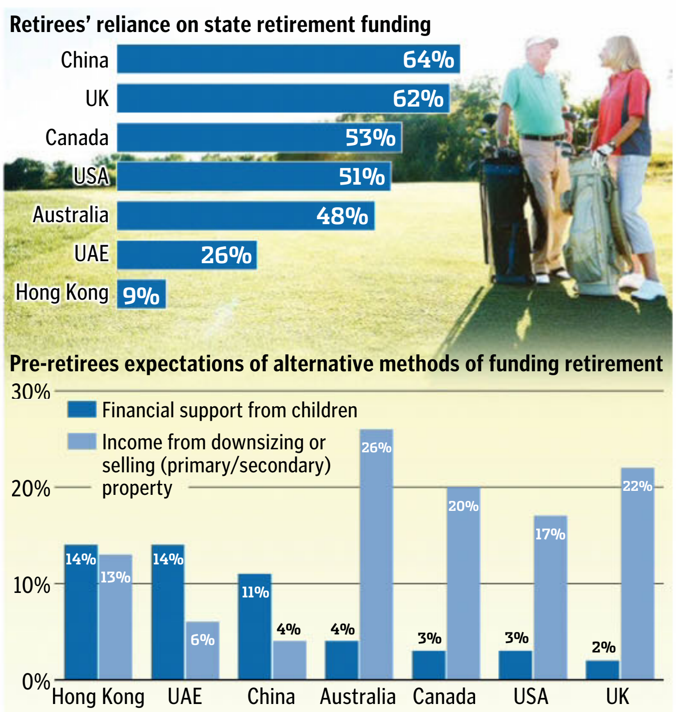
Commonwealth Bank's Equity Unlock loan steps the amount borrowers can borrow in line with age. For 65- to 69-year-olds the maximum is $275,000, rising to $425,000 for home owners aged 85 and over.

HUGE POOL OF WEALTH TO BE TAPPED

More than $500 billion of home equity is held by Australians aged over 65, according to Deloitte. Yet only about 40,000 of the nation's seniors have a reverse mortgage, with a total of just $3.66 billion outstanding in these loans at the end of 2014.

Not only is there a massive pool of funds for seniors to tap into, retirees with a reverse mortgage have an average loan size of just $92,000, suggesting a very conservative approach to this strategy. For seniors concerned about the possible impact of a reverse mortgage on the value of home equity over time, a reverse mortgage calculator is available on the government's MoneySmart website.

WHO WILL PAY THE BILLS?



Source: HSBC

Live a better retirement with Heartland Seniors Finance

Heartland is proud to have won Money magazine's Best Reverse Mortgage the 7th year running

BEST REVERSE MORTGAGE
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If you are aged 60 or over and own your own home, a Heartland Reverse Mortgage may be able to help you get the most out of your retirement.

Whether used to fund home improvements, a new car, repay debt, travel, aged care expenses or just to take the stress out of every day bills, a Heartland Reverse Mortgage can provide peace of mind and the ability to enjoy your retirement with independence and dignity.

Importantly your home remains yours and you can stay in your home for as long as you choose.

To learn more and receive further information, contact us today on

1300 363 388

enquiries@seniorsfinance.com.au

HEARTLAND
Seniors Finance

***IMPORTANT NOTICE** – Applications for a Heartland Reverse Mortgage are subject to our loan approval criteria. Full terms and conditions will be included in any loan offer. Fees and charges apply. Credit provided by ASF Custodians Pty Ltd (ACN 106 822 780/ Australian Credit Licence No. 386781) or Seniors Finance Custodians Pty Ltd (ACN 603 141 706/ Australian Credit Licence No. 476140).*

CHEAPEST CREDIT CARDS

GOLD WINNERS BANK TEACHERS MUTUAL AND UNIBANK NON-BANK COMMUNITY FIRST CU

The good news is that interest rates and annual fees haven't increased

The three winners this year – Teachers Mutual Bank, UniBank and Community First Credit Union – were runners-up last year. Interestingly the rates and annual fee charged by all three cards remains unchanged from last year.

Both the **Teachers Mutual Bank** and **UniBank** cards offer an introductory rate of 7.90% a year for the first six months for new customers. After that it reverts to the standard rate of 11.50%pa.

Community First Credit Union has been a regular in this category over the years. A great feature of its cards is that the low rate of 8.99%pa also applies to cash advances and balance transfers. Customers can choose between the low-rate Black Visa and the McGrath Pink Visa. The difference is that with the Pink Visa half the annual fee is donated to the McGrath Foundation, a breast cancer support group.

		INSTITUTION	PRODUCT	ADV RATE	ANNL FEE	BAL TRANS	INT-FREE DAYS[1]	REW PROG	ANNL COST
BANK	1	Teachers Mutual Bank	Teachers CC	11.50%	none	✓	55	✗	$287.50
	1	UniBank	Visa	11.50%	none	✓	55	✗	$287.50
	2	G&C Mutual Bank	Low Rate Visa	9.49%	$50	✓	50	✗	$288.73
	3	Heritage Bank	Gold Low Rate	11.80%	none	✓	0	✗	$295.00
NON-BANK	1	Community First CU	Low Rate Visa[2]	8.99%	$40	✓	55	✗	$263.63
	2	SCU	Low Rate Visa	10.49%	$30	✓	55	✗	$291.13
	3	Intech Credit Union	Titanium 55	9.99%	$46	✗	55	✗	$294.63

Source: CANSTAR. [1]Maximum number after statement date. [2]And McGrath Pink Visa.

The winners were ranked by the total cost of revolving a $2500 debt over the past 12 months, including interest and annual fees. The interest rate used was 50% current interest rate and 50% 6m historical average interest rate.

CHEAPEST BALANCE TRANSFER CREDIT CARDS

GOLD WINNERS BANK ST.GEORGE, BANK SA, BANK OF MELBOURNE NON-BANK NORTHERN INLAND CREDIT UNION

An interest rate of 0% for 18 months can help you climb out of debt

If you use them wisely, balance transfers can be a great way to clear outstanding card debt and get your finances under better control.

Offers of 0% for 18 months by **St.George**, **BankSA** and **Bank of Melbourne** take the top two spots in the bank category. The difference between the two that makes St.George's Vertigo Platinum a little more expensive is the higher annual fee of $99 compared with $55, even though the revert rate for the platinum card is slightly lower.

Both cards also currently have an offer of 1%pa for up to 12 months on purchases that ends on January 4, 2017. The platinum version comes with a range of complimentary insurance cover including overseas travel insurance cover, extended warranty insurance and purchase cover insurance as well as a concierge service.

Northern Inland Credit Union takes first and third spots among the non-banks, with the same offer on both cards.

		INSTITUTION	PRODUCT	TRANSF RATE	INTRO PERIOD	REVERT RATE	ANNL FEE	MAX. TRANSF	TOTAL REPAID
BANK	1	St.George Group[1]	Vertigo Visa	0%	18m	13.24%	$55	95%[2]	$10,683
	2	St.George Group[1]	Vertigo Platinum	0%	18m	12.74%	$99	95%[2]	$10,799
	3	Police Bank	Visa	0%	12m	10.76%	$30	NAp	$10,805
NON-BANK	1	Northern Inland CU	Low Rate Visa	0%	12m	8.99%	none	$25,000	$10,623
	2	Virgin Money	No Annual Fee	0%[3]	18m	20.99%	none	NAp	$11,018
	3	Northern Inland CU	Visa Classic	0%	12m	14.00%	$40	$25,000	$11,092

Source: CANSTAR. [1]Includes St.George Bank, BankSA and Bank of Melbourne. [2]Of approved limit. [3]Balance transfer fee of 2% applies.

The winners were ranked by the total cost of repaying a $10,000 debt over three years.

Winner

8.99% p.a.*

With the same low ongoing rate on purchases, balance transfers and cash advances, it's no wonder Community First's Low Rate Visa and McGrath Pink Visa credit cards are the winner of **"Cheapest Credit Card – Non-Bank"** by *Money* magazine's **Best of the Best Awards 2017**

Choose PINK

And half of the card's annual fee ($20) is donated to the **McGrath Foundation**

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community first credit union

Credit Eligibility criteria, terms & conditions, fees & charges apply - details available upon application. Rates are current as at 06/02/14 and subject to change without notice. Community First donates $20 to the McGrath Foundation from the annual fee for each McGrath Pink Visa card. The McGrath Foundation raises money to fund McGrath Breast Care Nurses in communities right across Australia and increase breast awareness in young Australians, with a particular emphasis on young women. For more information visit www.communityfirst.com.au. Community First Credit Union Limited ABN 80 087 649 938 AFSL/Australian Credit Licence No. 231204.

BEST TRANSACTOR CREDIT CARDS

GOLD WINNERS BANK BEYOND BANK NON-BANK COLES

A long interest-free period comes with a handy set of extras

		INSTITUTION	PRODUCT	ADV RATE	ANNL FEE	INT-FREE DAYS[1]
BANK	1	**Beyond Bank**	Low Rate Visa	12.49%	$49	62
	2	**Teachers Mutual Bank**	Teachers Credit Card	11.50%	none	55
	2	**UniBank**	Visa	11.50%	none	55
	3	**Bank Australia**	Visa	12.39%	none	55
NON-BANK	1	**Coles**	No Annual Fee MC[2]	19.99%	none	62
	2	**Coles**	Low Rate MasterCard[2]	9.99%	$49	62
	3	**People's Choice CU**	Visa	12.95%	$59	62

Source: CANSTAR. [1]Maximum number after statement date. [2]Standard and Platinum.

The winners were ranked by a score for interest-free days (80%) and annual fee (20%) and then by rate. The category includes charge cards.

They're back! Our best transactor card gold winners appear together on this page for the third time running for the same products.

If you're a smart spender but you need a credit card to help with cash flow, the ideal card is low-fee and easy to manage.

Our two winners offer 62 interest-free days, which is a week longer than most. With more time to pay back your money, you can stress less about your debt and concentrate on other things – such as the jazzy extras offered by your provider!

Apart from its low rate and extra interest-free days, **Beyond Bank's Low Rate Visa,** also offers a promotional rate of 0% on balance transfers for 12 months. The balance must be a minimum of $500 from a non-Beyond Bank credit or store card. And if it helps to have more than one person using your card, you can add up to four cardholders at no cost.

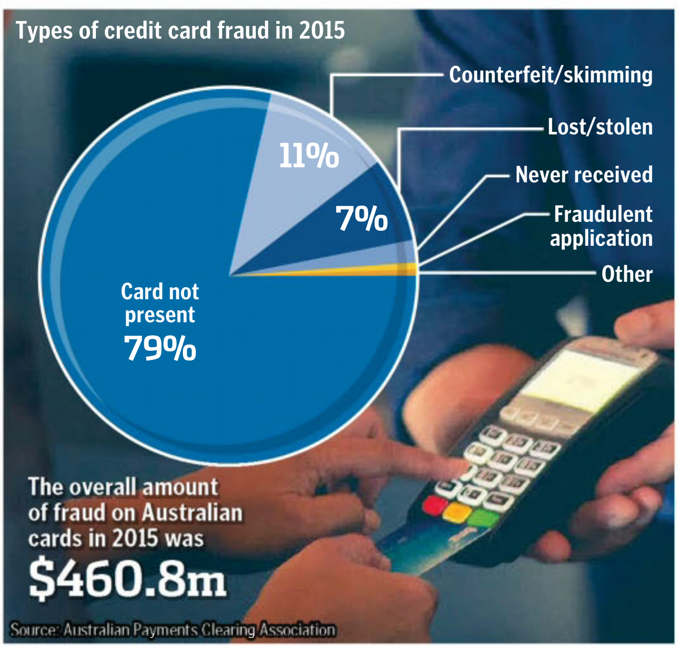
The **Coles No Annual Fee MasterCard** has won this non-bank award for the fourth year in a row. This year it is joined by its Platinum upgrade, which is available for credit limits over $6000. Both cards are currently offering new Coles customers 0% interest on purchases for 15 months if you are approved by December 31, 2016, which could be a great start to the new year as long as you use it wisely.

The card is part of the Coles flybuys program, rewarding cardholders with one flybuys point for every $2 spent. This is on top of points that you accrue from selected retailers. It also offers free delivery when you spend over $100 at Coles Online.

The Platinum card comes with all the same basic features but includes a few neat perks. For example, as a Platinum cardholder, you receive complimentary access to the Coles MasterCard concierge service – a hotline available 24 hours a day, seven days a week. The concierge can help you book flights and accommodation for holidays, and source information on restaurants, concerts and theatre performances.

Platinum cardholders also receive automatic merchandise protection insurance, which covers your items for 90 days after purchase if they are lost, stolen or damaged.

HOW THE FRAUDSTERS STRIKE



CRACKDOWN ON SURCHARGES

Big businesses were hit with new credit card surcharging rules in September, with small businesses to follow soon. The Reserve Bank (RBA) banned excessive surcharging to cut back on the $1.6 billion that Australians pay each year. Businesses now must only charge fees that reflect the "true" cost of the customer using a credit card to pay for a transaction. These costs will vary but, according to the RBA, a typical surcharge for a Visa or MasterCard credit card should range from 1% to 1.5% and for American Express from 2% to 3%. The new rules won't apply to small businesses until September 2017.

BEST REWARDS CREDIT CARDS

GOLD WINNERS BANK HSBC NON-BANK COLES

Shoppers who regularly pay with plastic can collect a bonus

The rewards cards from the non-banks offer the most bang for your buck. The **Coles Rewards MasterCard** takes top spot with a return of just over $238. You earn two points towards flybuys for every $1 you spend on the card.

You can use flybuys for a range of rewards, including gift cards and products from the flybuys "store". You can get $10 off your Coles supermarket shop instantly at the checkout with 2000 flybuys points.

An interesting feature of this card is the fact that you'll pay no international transaction fees on purchases when you shop online or are overseas.

With bank winner **HSBC** you earn one reward point for every $1 you spend on eligible purchases. Points can be used for a range of merchandise, gift cards and experiences or converted to Velocity points. The card also has complimentary insurance benefits.

		INSTITUTION	CREDIT CARD	REWARDS PROGRAM	ADV RATE	ANNL FEE	REWD RTN AFT FEES
BANK	1	**HSBC**	Platinum	Rewards Plus	19.99%	$149[1]	$108.78
	2	**Westpac**	Altitude	Altitude Rewards	20.24%	$100	$99.98
	3	**ANZ**	Rewards Platinum	ANZ Rewards	18.79%	$95	$99.95
NON-BANK	1	**Coles**	Rewards MC	flybuys	19.99%	$89	$238.03
	2	**American Express**	David Jones Card	DJs M'ship Rewards	20.74%	$99	$231.95
	3	**American Express**	Essential Credit Card	M'ship Rwds Gateway	14.99%	none	$152.89

Source: CANSTAR. [1]Annual fee is refunded each year after $6000 in purchases have been made.

The winners were ranked by their average reward returns after fees, based on a $2000pm spend across all categories, with rewards available in at least two categories out of cashback, gift card, merchandise, entertainment and lifestyle. For companion cards a 60/40 split between American Express and Visa/MasterCard has been assumed.

BEST FREQUENT FLYER CARDS

GOLD WINNERS INTERNATIONAL AMERICAN EXPRESS DOMESTIC AMERICAN EXPRESS

Free overseas and domestic flights, plus travel insurance, are up for grabs

Once again **American Express** dominates this category, taking out all three spots in the international category and the top two in the domestic category.

You can earn anywhere from half a point to three points for each $1 spent, depending on where you use your card.

American Express says you can earn points even faster by getting a supplementary card for other family members at no additional cost.

Cardholders get a free return flight to selected destinations within Australia each year, complimentary enrolment in the rewards program (a saving of $80 a year) and complimentary travel insurance when you pay for travel on your card. New customers get 10,000 bonus points when they apply, are approved and spend $750 within the first three months of receiving the card.

		INSTITUTION	CARD	ADVERT RATE	ANNL FEE[1]	MAX INT-FREE DAYS[2]	REWARDS PROGRAM	NET VALUE
INTERNAT'L 6 FLIGHTS	1	**American Express**	Platinum Edge[3]	20.74%	$195	55	Membership Rewards Ascent	
	2	**American Express**	Explorer[4]	20.74%	$395	55	M'ship Rwds Gateway	$1168
	3	**American Express**	Velocity Platinum[3]	20.74%	$349	44	Velocity FF	$733
DOMESTIC 3 FLIGHTS	1	**American Express**	Platinum Edge[3]	20.74%	$195	55	Membership Rewards Ascent	$1496
	2	**American Express**	Explorer[4]	20.74%	$395	55	M'ship Rwds Gateway	$1269
	3	**Diners Club**	Personal Dual	chg card	$389	44	Diners Club Rewards	$917

Source: CANSTAR. Frequent flyer partner is Qantas in all cases. [1]Combined card and program fee. [2]After statement date. [3]Includes the value of a free return flight within Australia. [4]Includes $400 travel credit.

The winners were ranked on the net value towards flights that could be redeemed for a $60,000 annual spend, allowing for taxes and airline charges. 1. International: across 3 domestic and 3 international routes. 2. Domestic: across 3 domestic routes.

CHEAPEST PERSONAL LOANS

GOLD WINNERS BANK POLICE BANK NON-BANK LIBERTY FINANCIAL

Borrowers benefit from a low interest rate and repayment flexibility

It feels good to reduce your debts, especially if you manage to get ahead of your repayments. Fortunately, our two winners advertise zero penalties for paying out your loan early. Also they both offer fixed loans, so over the term you don't have to worry about your interest rate going higher.

Police Bank's personal loan provides amounts over $5000 with the option to be financed 100% – just make sure you can afford the repayments. The term for its competitive 9.99% fixed rate can range up to seven years.

Our non-bank winner, **Liberty Financial**, offers loans between $5000 and $50,000 for a maximum term of seven years. It has flexible payment options, allowing you to choose between weekly, fortnightly and monthly. This account also has a free redraw facility that you can access using a debit card, so you can access extra repayments.

		INSTITUTION	ADV RATE	MIN LOAN	TOTAL PAID	TOTAL UPFR FEE
BANK	1	Police Bank	9.99%	$1000	$11,850	$98
	2	Qudos Bank	11.64%	$1000	$11,895	none
	3	SERVICE ONE Alliance Bank	9.99%	none	$11,944	$150
NON-BANK	1	Liberty Financial	7.99%	$5001	$11,474	$195
	2	Newcastle Permanent	7.99%	$1000	$11,529	$250
	3	Gateway Credit Union	9.84%	$3000	$11,749	$149

Source: CANSTAR.

The winners were ranked by cost of repayment of an unsecured loan of $10,000 over 3 years, based on 50% advertised fixed and variable rates and 50% average 6-month historical fixed and variable rates (average taken if range applied) and fees.

CHEAPEST NEW CAR LOANS

GOLD WINNERS BANK BEYOND BANK NON-BANK LOANS.COM.AU

If you choose a product with the best features you'll have a smooth ride

If you want to buy a car, opting for a specific car loan over a personal loan can work out to be cheaper and more efficient.

The low-rate special offer from **Beyond Bank**, our bank winner, provides loans of $25,000 or more over a maximum seven-year term for new cars and cars up to two years old. There are no early payout fees and you have the option to borrow 100% of your vehicle's cost.

Beyond Bank also gives borrowers the option to set up a free loan offset account, which has a maximum offset amount of $2500. This account offers free transfers via mobile banking and direct debit, and you're allowed four free rediATM withdrawals each month.

Our non-bank winner, **loans.com.au**, offers new car loans for $5000-$100,000 over three to five years. It also allows you to make up to $10,000 in extra payments each year.

		INSTITUTION	ADV RATE	TOTAL PAID	LOAN MIN'M-MAX'M	TOTAL UPFR FEE
BANK	1	Beyond Bank	5.69%	$35,082	$25,000-$125,000	$175[1]
	2	Victoria Teachers MB	5.79%	$35,240	$10,000-unlimited	$90
	3	Bank Australia	6.45%	$35,424	$1000-unlimited	$150
NON-BANK	1	loans.com.au	4.94%	$34,068	$5000-$100,000	$400
	2	Holiday Coast CU	5.49%	$34,408	$5000-$70,000	none[2]
	3	Community First CU	5.34%	$34,504	$10000-$60,000	$195[3]

Source: CANSTAR. [1]A $25 security fee may also apply. [2]This is an ongoing promotion. Fee normally $200. [3]There is an annual fee of $60.

The winners were ranked by the total cost of repayment of a 5-year loan for a new car purchase of $30,000, based on 50% advertised rates and 50% average 6-month historical rate (average taken if range applied) and fees. Fixed and variable rates were included.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CHEAPEST BUSINESS TRANSACTION ACCOUNTS

GOLD WINNERS BANK **BANKWEST** NON-BANK **FIRST OPTION CREDIT UNION**

Low fees, plus compatibility with an accounting platform, can help cut expenses

When choosing the right transaction account for your business, the decision should be based more on the fees charged than the interest paid on your cash holding. In this regard, **Bankwest** is a proven category winner.

However, if you constantly hold more than $10,000 in cash, then **Citibank**, which charges no monthly fees, is worth a look. The Ultimate Business Saver pays 1.65% on balances between $10,000 and $999,999.99.

A business transaction account should be compatible with Xero and MYOB. Bankwest's Business Zero transaction account ticks this box, enabling owners to stay abreast of profit and loss, cash flow, invoicing and the like. More meaningfully, linking a transaction account to an accounting platform can trim bookkeeping expenses.

The non-bank category winner, **First Option Credit Union's Business Cash Hub**, is compatible with Xero and MYOB. It pays a healthy 1.5% on balances above $5000.

		INSTITUTION	PRODUCT	AVG COST PM[1]	ADV. RATE	ATM/ EFTPOS
BANK	1	Bankwest	Business Zero	$0.00	0.00%	✓
	2	Citibank	Ultimate Business Saver	$0.00[2]	0.00%	✓
	3	Hume Bank	Business Account	$4.94	0.01%	✓
NON-BANK	1	First Option CU	Business Cash Hub	$0.00	1.50%	✓
	2	SCU	Premier Business	$3.42	0.05%	✓
	3	Newcastle Permanent	Business Cheque Acc.	$9.10	0.00%	✓

Source: CANSTAR. [1]Ignores interest earnings. Rate is for a $10,000 balance. [2]Pays 1.65% for the portion of balances over $10,000.

The winners were ranked by fees then interest rate for 100 transactions a month and an average $10,000 balance and $100,000 monthly deposit; account must offer cheque deposits and withdrawals (no conditions), direct debit and direct credit.

CHEAPEST BUSINESS CREDIT CARDS

GOLD WINNERS BANK **BANK OF MELBOURNE, BANKSA, ST.GEORGE**
NON-BANK **NEWCASTLE PERMANENT**

As scammers find new ways to strike, fraud cover is a comforting bonus

If you're using a business credit card, it might be time to consider **Bank of Melbourne BankSA** and **St.George**. The three have secured the gold for a third year in a row, thanks to their low interest rates.

With these cards, you'll receive complimentary insurance against fraudulent use and unauthorised transactions. It is essential for businesses to be aware that fraud is a threat to profits, especially if you're transacting sight unseen by phone or the internet. That said, the crooks are getting sneakier, so buying into a low-cost card with free fraud cover seems very attractive indeed. The minimum credit is $1000 and the cards offer an unlimited number of credit cards with the card facility. This is a valuable feature for bookkeepers employed by fast-growing small businesses.

Newcastle Permanent is a four-time winner in its category. That said, if you're looking for the most competitive business credit card, the banks are better.

		INSTITUTION	PRODUCT	TOTAL COST	CURR RATE	ANN'L FEE	INT FR DAYS	BAL TRANS	RWDS PROGR
BANK	1	Bank of Melbourne, BankSA, St.George	BusinessVantage Visa	$353	9.99%	$55	55	✗	✗
	2	Bankwest	Bus MC Low Rate	$417	11.99%	$59	55	✓	✗
	3	Heritage Bank	Business Visa Unsec	$423	12.95%	$35	40	✗	✗
NON-BANK	1	Newcastle Permanent	Business+ CC	$413	11.99%	$55	44	✓	✗
	2	Coastline Credit Union	Visa Business Rwder	$705	17.00%	$195	55	✓	✓

Source: CANSTAR.

The winners were ranked on the total cost over 12 months of revolving a $3000 debt, including interest and annual fee. The interest rate used was 50% current interest rate and 50% six-month historical average interest rate.

The first time we won, the US President-Elect was a reality TV star.

Our Business Zero Transaction Account has been awarded *Money* magazine's 'Cheapest Business Bank Transaction Account' for seven years running.

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BEST SAVINGS ACCOUNTS

GOLD WINNERS BANK **RABODIRECT** NON-BANK **MOVE**

An "untouchable" nest egg will help keep you focused on saving

This year's best savings accounts are paying more interest than last year's, despite two Reserve Bank cuts.

Three **RaboDirect** Notice accounts take out the top spot in the bank category, with a maximum rate of 2.75%pa. These accounts require you to give a certain amount of notice before you can make a withdrawal. They allow you to top up the balance and earn interest until your money is withdrawn.

RaboDirect requires you to open a linked high-interest savings account to go with its NoticeSaver. Notice periods are 31, 60 and 90 days. There are no early withdrawals, so carefully consider your circumstances before you commit your funds.

MOVE's Express Saver is our non-bank winner with a competitive 2.65%. MOVE membership is usually restricted to people working in the rail, transport and logistics industries but check to see if you're eligible.

		INSTITUTION	PRODUCT	2YR RTN	BASE RATE	ANN'L FEE	ADV'D RATE[1]
BANK	1	**RaboDirect**	NoticeSaver[2]	$300[3]	2.75%	none	2.75%[3]
	2	**Suncorp Direct**	FlexiRate[4]	$276[5]	2.65%	none	2.65%[5]
	3	**AMP Bank**	Notice Account	$242	2.20%	none	2.20%
NON-BANK	1	**MOVE**	Express Saver	$281	2.65%	none	2.65%
	2	**Queenslanders CU**	GOSaver	$238	2.30%	none	2.30%
	3	**ECU Australia**	eSaver	$228	2.20%	none	2.20%

Source: CANSTAR. [1]Advertised rate for $5000 deposit. [2]90, 60 & 31 day. [3]Rate for 90 day, shorter periods pay less. [4]12month, 6month and 3month notice. [5]Rate for 6 months, other periods pay less.

The winners were ranked on the average of the 2-year return based on the current base rate for a $5000 balance and the 2-year return based on the 6-month historical standard base interest rate. Promotional rates were ignored.

BEST SAVINGS ACCOUNTS – REGULAR DEPOSITS

GOLD WINNERS BANK **ME BANK** NON-BANK **MOVE**

Interest rates are wilting but access to your money has been made easier

We can definitely see the impact of the Reserve Bank's rate cuts on regular deposit accounts. The rates on offer from this year's winners are only a little higher than those for our generic savings accounts although neither imposes the usual strict access conditions.

Both **ME Bank** and **MOVE** allow you to withdraw without penalty, so you can transfer money from time to time without sacrificing your high rate. Another plus is that they don't require a minimum monthly deposit.

However, ME Bank's Online Savings account requires you to set up an everyday transaction account and make a weekly purchase with your debit MasterCard using tap-and-go to receive the full rate. If you are thinking about switching banks, ME's everyday account has a few perks that might make it worthwhile (see page 122).

This is the second award for MOVE'S Express Saver (see best savings accounts, above), which has no conditions affecting the interest rate.

		INSTITUTION	PRODUCT	2YR RTN[1]	ADV'D RATE[2]	DEBIT CD	EFTPOS	PHONE TRSF	BONUS CONDITIONS
BANK	1	**ME Bank**	Online Savings	$453	3.10%	✗	✗	✓	Tap weekly with trans. acc
	2	**ING Direct**	Savings Maximiser	$407	2.75%	✗	✗	✓	$1000 dept pm to linked acc
	3	**UBank**	USaver with Ultra	$406	2.87%	✗	✗	✓	Extl $200 dept pm
NON-BANK	1	**MOVE**	Express Saver	$376	2.65%	✗	✗	✗	none
	2	**CUA**	eSaver Plus	$342	2.75%	✗	✗	✓	$200+ dept pm, no wdls
	3	**FCCS Credit Union**	iSaver	$341	2.51%	✗	✗	✗	$200+ dept pm

Source: CANSTAR. [1]Ranking return. [2]Rate including bonus rate, where applicable. None of the products has an account-keeping fee.

Starting with a $5000 balance and depositing $200pm, the winners were ranked by the average of their 2-year returns based on the current rates and those based on the 6-month average historical interest rates. One withdrawal in the 12 month period and one month without a deposit were assumed (based on current rate); conditional, promotional and other bonus rates are included.

** 90 days notice required before making withdrawals. Rate shown is current as at 15/11/2016 and is for Personal customers only on balances up to $250,000. Rates are subject to change. Different rates apply to Business and SMSF / Trust accounts. RaboDirect is a division of Rabobank Australia Limited ABN 50 001 621 129 AFSL no. 234700. Read the terms and conditions and Notice Saver PDS at rabodirect.com.au before making investment decisions.*

BEST KIDS' SAVINGS ACCOUNTS

GOLD WINNERS BANK **HUME BANK** NON-BANK **FIRST OPTION CREDIT UNION**

Start early if you aim to improve your children's financial literacy

Financial literacy is a crucial facet of your child's education. According to the Commonwealth Bank, if just 10% of children with poor financial literacy are taught to be money smart, it could create 15,000 new jobs and increase GDP by $6.2 billion.

Adolescents and young adults represent 42% of the least financially literate, so it's important for parents to start teaching money management skills early.

Our winning accounts have strict bonus rate conditions that should help teach kids the real value of their savings. **Hume Bank's Clancy Koala** account is a great high-interest account for kids under 11, paying out a total rate of 3% if they deposit $10pm and make no withdrawals.

Our non-bank winner, **First Option Credit Union's Kids' Bonus Saver**, a four-time award recipient, offers a generous full rate of 5.15% for balances under $5000, provided a minimum of $5 a month is deposited and no withdrawals are made.

		INSTITUTION	PRODUCT	2YR BAL[1]	BASE RATE	TOTAL RATE	BONUS CONDITIONS WDLS PM	BONUS CONDITIONS DEP'TS PM	ATM	EFTPOS
BANK	1	Hume Bank	Clancy Koala S2	$744	0.25%	3.00%	none	min $10	✗	✗
	2	Teachers Mutual Bank	Mighty Saver	$742	1.00%	2.81%	none	min $10	✗	✗
	2	UniBank	Mighty Saver	$742	1.00%	2.81%	none	min $10	✗	✗
	3	Suncorp Bank	Kids Savings	$742	1.50%	2.75%	1	min $20	✗	✗
NON-BANK	1	First Option CU	Kids' Bonus Saver	$757	0.15%	5.15%	none	min $5	✗	✗
	2	Select Encompass CU	Kick Start Saver	$756	5.00%	5.00%	none	NAp	✗	✗
	3	CUA	Youth eSaver	$754	4.75%	4.75%	none	NAp	✗	✗

Source: CANSTAR. [1]Rankings are made on balance to two decimal points.

The winners were ranked by their 2-year balances using 6-month historical average interest rates, including bonus rate if applicable, on monthly $30 deposits for the period; then by total rates, then by base rates.

BEST DIY SUPER SAVINGS ACCOUNTS

GOLD WINNERS BANK **SUNCORP** NON-BANK **MOVE**

A self-managed fund needs a ready supply of cash to cover expenses

If you're running a self-managed super fund (SMSF), it's important to have a good supply of cash on hand to cover the regulatory and administration costs. Managing an SMSF is a highly demanding job, so while you're busy attending to your portfolio it's good to know that your cash can look after itself.

Suncorp's flexiRate feature can be added to its everyday options or eOptions accounts to help you lock in a high rate. If you want to maximise your interest payment, you will not be able to touch your funds until the six-month term has ended. There is also the option to renew the flexiRate at the end of the term, so you can lock in your rate and have peace of mind for longer.

MOVE's Express Saver takes out its third cash account award thanks to its ease of access – perfect if you're setting up your SMSF and constantly need cash on standby.

		INSTITUTION	PRODUCT	TOTAL RATE[1]	RANK RATE
BANK	1	Suncorp Direct	FlexiRate 6mth	2.65%	2.69%
	2	Aust Military Bank	DIY Super Saver	2.50%	2.68%
	3	RaboDirect	Notice Saver 90 Day	2.40%	2.56%
NON-BANK	1	MOVE	Express Saver	2.65%	2.74%
	2	FCCS CU	Superfund Maximiser	2.50%	2.60%
	3	Queenslanders CU	GOSaver	2.30%	2.33%

Source: CANSTAR. [1]Rate including bonus rate, where applicable.

The winners were ranked by their interest rates – 50% 6-month historical average interest rates and 50% current rates – for a balance of $50,000; accounts must be available for a trust. Conditional bonus – but not promotional – rates were taken into consideration and it is assumed the conditions are met. Notice accounts were included.

BEST TERM DEPOSITS – SHORT-TERM

GOLD WINNERS BANK **ARAB BANK AUSTRALIA**
NON-BANK **THE MUTUAL AND NEWCASTLE PERMANENT**

A high-interest account is a smart place to temporarily park your cash

If you've got a bit of money sitting around, perhaps while you're searching for a home to buy, why not have it sit in a high-interest term deposit?

Our winners in the short-term category have highly competitive rates, so your savings will more than keep up with inflation. But both accounts have very strict break fees, so make sure you're not going to need your funds until after maturity.

The Mutual and **Newcastle Permanent Building Society** term deposits both have a revert rate of 0.5%pa if funds are withdrawn early.

The revert rate set by Arab Bank, however, depends on how far away from maturity you are when you withdraw. You'll lose 100% of your interest rate if you withdraw in the first 30% of your term. Arab Bank also lets you invest US dollars and British pounds in its term deposits. Rates vary depending on the currency invested.

		INSTITUTION	RANKING RATE[1]	ADVERT RATE	INT PAID
BANK	1	Arab Bank Australia	3.07%	2.75%	on maturity
	2	Heritage Bank	2.90%	2.80%	on maturity
NON-BANK	1	The Mutual	2.81%	2.60%	on maturity
	1	Newcastle Permanent	2.81%	2.50%	on maturity
	2	Firstmac	2.80%	2.85%	on maturity
	3	bcu	2.65%	2.70%	on maturity

Source: CANSTAR. [1]Six-month average.

The winners were ranked by the average of the current rate and the historical 6-month nominal interest rate for a $25,000 balance and terms of 2 to 4 months.

BEST TERM DEPOSITS – LONG-TERM

GOLD WINNERS BANK **ME BANK** NON-BANK **GATEWAY CREDIT UNION**

Lock away your precious savings for 12 months and watch them grow

They don't pay as much as they used to but term deposits are still a great way to maximise your savings. A longer term deposit not only locks in your interest rate but it also keeps your savings in the bank and out of your wallet.

ME Bank's term deposit pays an ultra-competitive of 3% for 12 months. Its terms and conditions state that your balance at maturity can be automatically reinvested at the same rate, which would be perfect if you're expecting another Reserve Bank rate cut.

Gateway Credit Union's term deposit receives our non-bank award, with its 12-month deposit paying 2.51%pa. While ME Bank's term deposit has a strict 31-day notice period before early withdrawal, Gateway requires only seven days. Do note, though, if you want to withdraw funds early from either account you will sacrifice part of your interest payment.

		INSTITUTION	RANKING RATE[1]	ADVERT RATE	INTEREST PAID
BANK	1	ME Bank	3.00%	3.00%	annually
	2	QT Mutual Bank	2.98%	2.70%	annually
	2	QBank	2.98%	2.65%	annually
	3	ING Direct	2.97%	3.00%	annually
NON-BANK	1	Gateway Credit Union	3.06%	2.51%	half-yearly
	2	Big Sky Building Society	3.03%	3.05%	on maturity
	3	The Mutual	2.92%	2.50%	on maturity

Source: CANSTAR. [1]Six-month average.

The winners were ranked by the average of the current rate and the historical 6-month effective interest rate for a $25,000 balance and terms from 11 to 13 months.

BEST EVERYDAY ACCOUNTS

GOLD WINNERS BANK ME BANK NON-BANK CUA

Get back to the basics by going for low fees and access to extras

With interest rates on savings accounts at an all-time low, it's more important than ever to nail the basics. Your everyday account is where it all starts. Ideally it has low fees and optimised access conditions and should be able to hook you up with member-only extras.

ME Bank's Everyday account can give you the trifecta: no fee, a full refund of all ATM fees and access to the bonus rate on its online savings account. You also have the option of selecting the ME pink card as your debit card – it automatically donates 1¢ per transaction to the National Breast Cancer Foundation.

CUA's Everyday account has a couple of exciting bells and whistles, including a monthly draw to win $10,000, which is open to CUA customers until January 2017. This is another account to hit the sweet spot: there are no account-keeping or transaction fees, it's free to use across the rediATM network and if you deposit $1000 or more each month you receive bonus interest on a linked CUA eSaver Reward account, which pays a total rate of 2.9%pa.

		INSTITUTION	PRODUCT	AVGE COST PM	ATM NETWORK	ADV'D RATE[1]
BANK	1	ME Bank	Everyday	$0.00	all ATMs	0.00%
	2	Macquarie Bank	Transaction Account[2]	$0.00	all ATMs	0.00%
	3	ING Direct	Orange Everyday	$1.02[3]	all ATMs	0.00%
NON-BANK	1	CUA	Everyday Account	$3.45	rediATM	0.00%
	2	First Option CU	Super Cash Hub	$3.45	rediATM	0.25%
	3	Gateway CU	Everyday Savings	$3.45	Westpac	0.10%

Source: CANSTAR. Check websites for ATM fees as accounts terms vary. [1]Rate for $1000 balance. [2]Phone banking not available. [3] Monthly deposit of $1000 required for direct ATM charge rebate.

The winners were ranked by an average dollar cost based on 30 transactions a month and a zero balance, then by ATM network, then branch network and then by availability of phone banking. The cost of using ATMs outside of the institution's ATM network and agreements is considered.

BEST INNOVATION BANKING FEATURE

GOLD WINNER COMMONWEALTH BANK

Late payment fees can be a thing of the past

Commonwealth Bank is definitely one of the most innovative Australian banks and its latest enhancement doesn't disappoint, especially for those of us who have ever paid a bill late and been hit with a fee.

CommBank has developed a new "Better bill experience" feature on its app in response to research showing that a third of Australians admitted to paying a bill late. The average late fee was $24.

"Photo a bill" is one of the key features. You simply take a photo of your bill and all the relevant BPAY payment fields are automatically populated, using optical character recognition (OCR) technology. Payment is completed in a click with the option to save biller details, explains the submission to the judging panel.

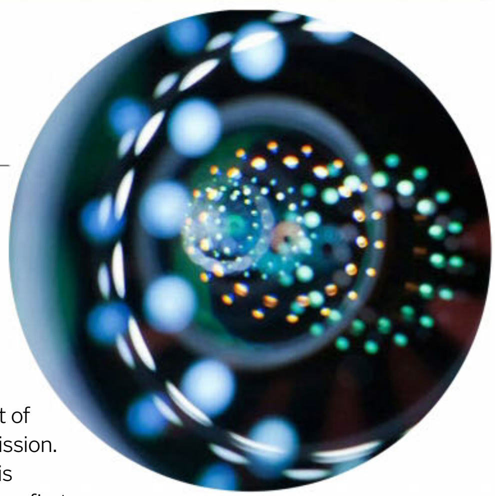
"While it is a small addition to the app, it does help to keep CommBank at the leading edge in this area," says Canstar analyst James Slack.

It might not change your life but it will make it easier to pay those non-recurring bills, not only saving you time but also making it more likely that the bill will be paid on time, he says.

Customer feedback has been positive. "For the first 14 weeks we have been in the market, customers using the feature have rated it 8+ out of 10," says the submission.

"The innovation is an Australian banking first, confirming CBA's commitment to and delivery of innovation in the Australian market."

Another of the enhancements it is testing on its app is "Instant receipts" so credit-card customers can keep track of their spending and instantly detect any fraud.



The winner was judged based on its submission. Invitations to submit entries were given to all institutions on the Canstar database. Only products that were launched in the past 12 months were eligible. Entries for submissions closed on October 14, 2016. They were judged on innovation, scope and, where applicable, price.

PHOTO-A-BILL IN THE COMMBANK APP

MONEY MAGAZINE'S BEST INNOVATIVE BANKING FEATURE

When it comes to mobile banking, we're always looking for better ways to bank and to make bill paying easier. So we're delighted to be awarded *Money* magazine's Best Innovative Banking feature for Photo-a-bill in the CommBank app.

Photo-a-bill is a new feature in the CommBank app that allows you to BPAY® a bill in a few easy steps. Simply take a photo of your bill with your iPhone and image capture technology scans your bill then automatically populates the details required for you to pay.

To learn more about Photo-a-bill in the CommBank app, visit **commbank.com.au/photoabill**

BEST INNOVATIVE BANKING FEATURE
Money MAGAZINE
WINNER 2017
BEST OF THE BEST 2017

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Things you should know: Photo-a-bill is currently only available for iPhone 5 and above. Apple, the Apple logo and iPhone are trademarks of Apple Inc, registered in the U.S. and other countries. App Store is a service mark of Apple Inc. BPAY is a registered trademark of BPAY Pty Limited ABN 69 079 137 518.

››› THE BIG QUESTIONS FOR 2017

Speed thrills

Joe Hanlon
Publisher, WhistleOut

WHAT CAN WE EXPECT TO SEE IN TERMS OF MOBILE PLANS AND BROADBAND OFFERINGS IN 2017?

Telco is the industry that never sleeps, and for as many big changes as we saw in 2016 you can be sure there will be plenty more in 2017. The price of mobile phone plans may get even cheaper but recent trends suggest we should expect much higher data inclusions rather than a big price decrease.

We tend to look overseas to spot upcoming trends in the structure of phone plans, and recent shifts in the US market would be very interesting if introduced in Australia. A key difference is the removal of all excess usage fees. The major US telcos now throttle the speed of mobile data when customers reach their limit, effectively killing data bill shock. This puts a cap on how much you can spend on your mobile plan each month, and it gives the telcos the chance to advertise their plans as having "unlimited data", even though only a portion is at full 4G speed.

And with all of this extra data, we expect the telcos to bundle even more content to help us use it all. This year Optus bought the rights to the English Premier League and bundled access to it in plans for its customers. Telstra and Vodafone have strong ties to the streaming music and video industries.

It's difficult to guess exactly what the content partnerships will be, but there is definitely much more to come.

With the broadband market, all eyes are on the NBN. More homes and businesses are being connected to the network each month, which means more households are now asking, "Should we connect to the NBN and at what speed?"

In truth, this is a great problem to have. Despite the political tug of war, the NBN is the most important infrastructure project in Australia for decades. The NBN has its work cut out for it, though.

Early reports are suggesting that most households are waiting to connect, and those that do connect are choosing the slowest, cheapest plan options.

Expect the NBN to ramp up its communications in the next year about the various advantages of a fast 100Mbps connection. Expect to hear a lot more about the future of the internet, about virtual reality, remote medicine and education, and even higher-resolution video. The problem, of course, is that it is difficult to convince someone to pay now for features they may enjoy in the future.

ONLINE SHOPPING

WHAT WILL BE THE IMPACT ON CONSUMERS OF THE INTRODUCTION OF GST ON ONLINE SHOPPING FROM OVERSEAS WEBSITES?

A major driver in the growth of online shopping has been the price differential between goods offered through overseas-based online outlets and traditional "bricks and mortar" Aussie businesses.

Online retailers don't have to charge GST, which gives them an immediate 10% price edge. All that is set to change as new rules come into effect next year which will oblige overseas businesses to register with the tax office to collect GST on all goods sold.

Local businesses hope this will lead to a level playing field, but will it? There are reasons to be sceptical. First, many consumers note that even with 10% GST overseas retailers are still often more price competitive than local ones.

There are fears about compliance, too. How can the tax office force overseas businesses to comply with Australian tax law when they typically have no local presence here? Some retailers – particularly smaller or more niche ones – may simply bypass the new laws.

Mark Chapman
Director of tax communications, H&R Block

ENERGY

THERE HAVE BEEN A FEW INNOVATIVE OFFERINGS THIS YEAR SUCH AS PREDICTABLE PLAN WHERE BILLS ARE FIXED. WHAT WILL WE SEE NEXT YEAR AND HOW CAN PEOPLE SAVE?

On all levels 2016 has been a change-driven and volatile year for Australian retail energy, and we can expect more of the same in 2017. A conservative estimate of at least an 8% average increase in retail grid electricity and gas prices would be a safe bet, with wholesale prices expected to jump again. Conversely, prices for solar and battery storage continue to fall, creating opportunities for consumers and businesses to look at distributed and behind-the-meter energy solutions to achieve savings and energy independence.

The continued deployment of smart meters across the country should see more tailored energy plans and offerings from retailers.

Ultimately, 2017 looks set for the emergence of smart homes and businesses, and the entry of non-traditional players such as telcos and innovative start-ups to the market.

Michael Moran
Managing director, Voltio

DESIGN

WHAT ARE SOME OF THE INTERIOR DESIGN TRENDS WE CAN EXPECT TO SEE IN 2017?

We'll see a growing focus on bringing the indoors out. Expect living rooms to expand into outdoor entertaining spaces with elegant exterior finishes and fabrics. Think lighting, mirrors, integrated seating and decorative layers such as floor rugs and soft furnishings to seamlessly dress outdoor rooms.

With kitchens it'll be about whether to disguise or display. Integrated appliances and butler's kitchens disguise the everyday essentials, while open/suspended shelving puts cheffy implements on display, and universal cooking zones with multiple heat sources (teppanyaki/wok, and so on) allow you to show off. Oversized island benches are a given.

Bathrooms will be big on textured, natural stone and round or oval fixtures. Open shelves and floating mirrors seek to move bathroom vanities beyond conventional, blocky joinery to become freestanding furniture. Standalone baths, twin showers and easy-clean rimless toilets will be hot.

Open-plan living may be turning a corner, with these spaces being zoned off to create dedicated dining, media, sitting and study zones.

Kate Nixon
Interiors/houses editor, *Australian House & Garden* magazine

DOWNLOAD NOW

MONEYSMART CARS
Cost: Free
OS: iOS and Android
The new MoneySmart app takes your registration, insurance, car history report and running costs to help you calculate exactly how much your car will cost you per month. Running costs are particularly detailed, taking everything from the cost of a car wash to your parking fines (paid and unpaid) into consideration.

PREZZEE
Cost: Free
OS: iOS and Android
Prezzee is a digital wallet and e-commerce platform for store gift cards. The app is partnered with about 30 retailers, including a few Australian fashion labels. David Jones and Myer gift cards seem to always be popular Christmas presents, so ditch the plastic this year and give your loved one an e-gift card.

TEDTALKS TECHNOLOGY
Online, iTunes and SoundCloud
The non-profit ideas house TED has a range of podcast channels, but its TEDTalks Technology series is probably the most interesting. From tech experts to comedians to inventors, this podcast features the best of the best to give you an idea of what cool new gadgets are coming out and how they're empowering communities.

BEST-VALUE BROADBAND BUNDLED PLANS

GOLD WINNER SPINTEL

Movies and games chew through the data, so make sure you're covered

You'd be hard-pressed to find an Aussie without the internet. In fact, the Australian Bureau of Statistics estimates 13.3 million of us currently have a broadband subscription, an increase of 4.2% since last year. Further, the amount of data we consume at home has skyrocketed: about 80GB a month, compared with just 50GB in 2015. Why the sudden surge?

"Our habits have completely shifted," says WhistleOut editor Joseph Hanlon. "People come home from work and flick on Netflix the same way they'd previously watch broadcast TV. We might be engaging in the same activity – watching TV – but we're consuming a considerable amount more internet data."

So how much do you need?

"It's important to understand your usage habits so that you don't end up paying for a bigger plan than you need," says Hanlon. "As a rule, if you're interested in watching YouTube, streaming TV, downloading movies or online gaming, you'll need a home broadband plan with 200GB-plus."

All our winners have at least 200GB as standard (last year it was 80GB) and monthly contracts.

For the second year on the trot, our frontrunner is **SpinTel's Urban Home Bundle** ($69.95 a month) with a generous 500GB of internet data and unlimited calls to all Australian landlines and mobiles, and no set-up costs.

Nipping at SpinTel's heels, **TPG's ADSL2+ with Oz Talk Bundle** ($69.99pm) offers unlimited data and unlimited calls with a $99.95 set-up fee.

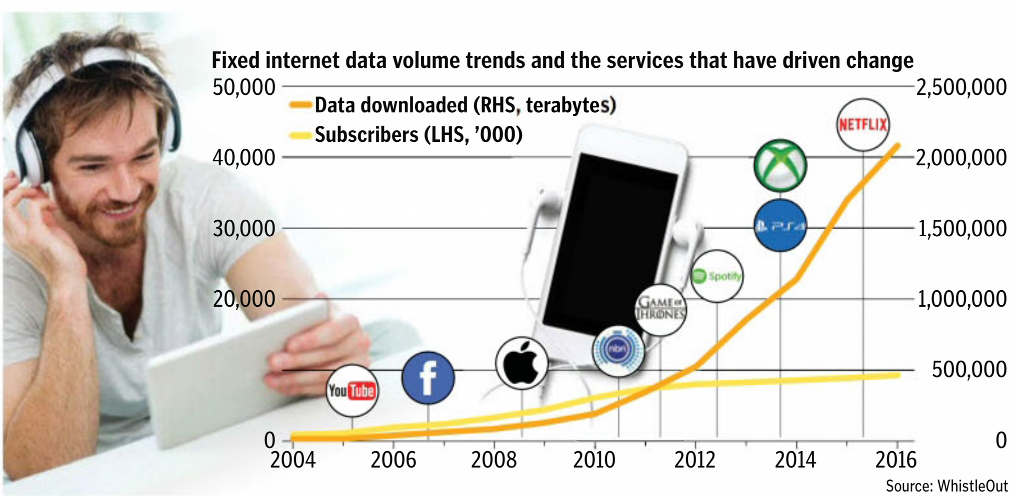
It's neck-and-neck in the bundle market. "These bundles offer a safeguard for families and those streaming or downloading on multiple devices at once," says Hanlon. "For instance, you can use 50GB downloading a single game on the Xbox – that's approximately 10 Netflix movies back-to-back. Without a buffer, that's a huge whack of the family data allowance."

	PROVIDER	MONTHLY COST				SET-UP	INCLUDED	CONTR TERM
		DATA PLAN	LINE RENT	CALL PLAN	TOTAL			
1	SpinTel Urban Home Bundle	$25	$24.95	$20	$69.95	$0	unlimited Aust calls; 500GB data	monthly
2	TPG ADSL2+ Oz Talk Bundle	$59.99 (comb)		$10	$69.99	$99.95	unlimited Aust calls; unlimited data	monthly
3	Exetel ADSL2+ Bundle	$49.99 (comb)		$20	$69.99	$99.99	unlimited Aust calls; 300GB data	monthly

Source: whistleout.com.au. Prices are for metropolitan areas; prices in regions may be higher.

The winners were ranked by monthly costs to receive at least 200GB of data, then by set-up cost. Plans must have an included landline phone service and unlimited national and mobile calls. Providers with more than 50% TIO complaints per 10,000 subscribers a year were excluded.

OUR GROWING APPETITE FOR DATA



Source: WhistleOut

TELCOS GET INTO THE TV BUSINESS

No more fighting over the remote: today we whip out tablets, laptops and smartphones and watch whatever we like, whenever we like, often in the same room.

The ramifications for the TV industry have been titanic, with viewers downscaling their subscription packages in favour of ad-free online and on-demand streaming services such as Netflix and Stan.

According to Roy Morgan research, half of Australians now have some form of pay TV or streaming in the home, with subscription video-on-demand services (28%) overtaking Foxtel's broadcast pay TV (27%) in 2016.

This has seen an increase in telcos becoming broadcasters themselves. Optus outbid Fox Sports last year for the rights to show the English Premier League and plans to stream live international cricket in 2017; Telstra currently offers subscriptions to stream live AFL and NRL matches; OVO streams live V8 Supercars and Audi Sport Customer Racing.

No doubt TV options will feature prominently in next year's awards. Watch this space.

BEST-VALUE BROADBAND PLANS

GOLD WINNER SPINTEL

A standalone deal provides plenty of data at a low price

If you don't want to bundle your broadband with a home phone or pay TV, you might be better off with a "standalone" plan. After all, you'll save roughly $20 for a comparable monthly data allowance.

You'll get 500GB a month with our winner, **SpinTel** ($49.95 a month), which is the same amount as our bundle winner, also SpinTel ($69.95), just without the free calls.

Second placegetter **MyNetFone** also has 500GB. However, that is divvied up between 250GB peak and 250GB off-peak, and includes a $99 set-up charge. Or for $54.95 **SpinTel's Urban Unlimited** plan promises unlimited data. That's only $5pm more than its winning plan.

With most people having a mobile, it's understandable that many avoid bundles. However, there seems to be confusion over the difference between a home phone and a landline rental. You don't need to keep a home phone although – unless your broadband is delivered by Naked DSL (such as MyNetFone) – you will need a landline rental for ADSL2+ to work. Our winner absorbs this cost into its pricing structure.

	PROVIDER	COST	SET-UP	LINE RENTAL	INCLUDED	CONTR TERM
1	**SpinTel ADSL2+ Urban**	$49.95	none	bundled	500GB data; line rental included	monthly
2	**MyNetFone Economy Naked**	$49.95	$99	N/A	500GB data	monthly
3	**SpinTel ADSL2+ Urban Unlimited**	$54.95	none	bundled	unlimited data; line rental and PAYG phone service	monthly

Source: whistleout.com.au. Prices are for metropolitan areas; prices in regions may be higher.

The winners were ranked by monthly costs to receive at least 200GB of data, then by set-up cost. ADSL2+ and Naked DSL plans were considered. Providers with 50% more than average TIO complaints per 10,000 subscribers a year were excluded.

BEST-VALUE DATA PLANS

GOLD WINNER OPTUS

When you're on the move you can still have high-speed, generous internet access

Mobile broadband allows you to connect a device (tablet, smartphone or laptop) to broadband wirelessly. A typical user is either someone who needs a transportable data connection for work or study, or who wants more flexibility from a broadband plan – for instance, people living in a share house or travelling around Australia.

With a sizable 50GB – last year's winner offered 12GB – for $70 a month, **Optus** takes the top slot. That works out as $1.40 a GB, equivalent to one episode on Netflix or 341 tracks on Spotify. Furthermore, Optus offers exceptional "data-free" streaming options. Users can run music apps, including Spotify and Google Play Music, or watch Netflix and Presto (subscription required) without using up any data in their plan. It also has the market covered in sports streaming, including live cricket and EPL football ($15 a month).

At $79.95, newcomer **OVO** matches Optus for data (50GB) and offers data-free streaming of supercars and gymnastics through OVOPlay.

Calls, SMS and MMS aren't included here.

All three plans operate without contracts and run on the speedy Optus 4G network – so you'll need a 4G-enabled device to use them.

	PLAN	COST	COST PER GB	DATA INCL	EXCESS DATA	NETWORK
1	**Optus My Mobile Broadband**	$70	$1.40	50GB	$10/GB	Optus 4G
2	**OVO for Tablet**	$79.95	$1.60	50GB	$10/GB	Optus 4G
3	**OVO for Tablet**	$44.95	$1.80	25GB	$10/GB	Optus 4G

Source: whistleout.com.au. All contract terms are 30 days. No set-up costs apply

The winners were ranked by cost per GB. The plans were required to include 5GB+ of data a month and be on a 4G network. Providers with 50% more than average TIO complaints per 10,000 subscribers a year were excluded.

BEST-VALUE MOBILE PLANS – HIGH USAGE

GOLD WINNER OVO MOBILE

Data is the new battleground as a cheeky challenger enters the market

	PLAN	COST PM	INCLUDED		EXCESS DATA	NETWORK
			CALLS[1] & SMS	DATA		
1	**OVO Mobile**	$34.95	unlim	8GB	$10/GB	Optus 4G
2	**Vaya Unlimited XL**	$36.00	unlim	8GB	$10/GB	Optus 4G
3	**Kogan Mobile Large**	$36.90	unlim	8GB	NAp[2]	Vodafone 4G

Source: whistleout.com.au. [1]Local calls. [2]Data cut off when 8GB reached. Can purchase a data pack.

The winners were ranked by the price of a no-contract monthly plan that included at least 5GB of data, unlimited local calls and unlimited SMS. Providers with 50% more than average TIO complaints per 10,000 subscribers a year were excluded.

What's interesting in this category is that what was once the key consideration – making phone calls – is nowadays taken for granted. All three of our winners provide unlimited calls, texts and picture messages as standard. The new drawcard is data.

Since 2010, the number of smartphone users has tripled, while the time we spend on our devices has quadrupled. Today, according to Lonergan Research, commissioned by Virgin Mobile, nearly two-thirds of Australians use a smartphone as their "main access to the internet" at a cost of $4.4 billion a year.

"This year, value in a high-usage mobile plan is represented by data," says Joseph Hanlon, editor of WhistleOut. "If you're going to be streaming media while on the bus to work – be it listening to Spotify, streaming a podcast or watching YouTube videos – you've got to be thinking about a plan with at least 5GB."

This year our winner is **OVO Mobile** with 8GB for $34.95.

But just what is OVO Mobile?

Having signed a five-year deal with the Optus 4G network, this new player has established itself as a cross between a traditional prepaid mobile service provider and an on-demand video streaming service.

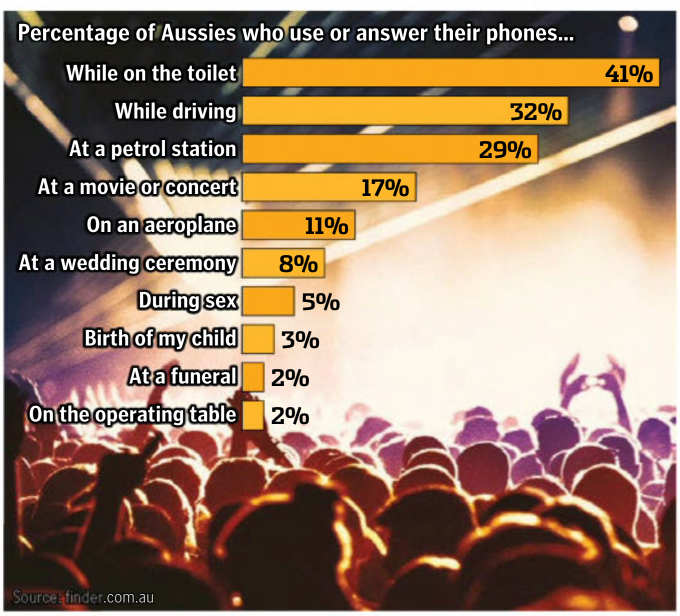
"OVO has burst onto the scene with a combo of great high-value, high-data plans with access to some interesting value-added extras," says Hanlon. "It's a unique selling point."

Through OVOPlay, customers can live-stream V8 Supercars, Audi Sport Customer Racing and Gymnastics Australia competitions. OVO has plans to include more sports.

With very little separating our top three this year, it's worth noting that each plan offers month-by-month terms – that is, no contracts.

"These days you can switch providers without having to worry about contracts or exit fees or changing your phone number," says Hanlon. "It's really a risk-free experiment."

WHEN NATURE – AND OTHERS – CALL



HOW TO CUT YOUR USAGE

There are countless ways that we chew through our data without even noticing. The smart smartphone user must make clever choices to save.

- Track your data usage. You can do this either in your provider's app or online. If you're the forgetful type, make sure to sign up to alerts (for when your data is running low).
- Connect to Wi-Fi. This is especially important when at home (if you already pay for broadband) or at work. Don't overlook public Wi-Fi hotspots either – many, such as cafes and bars, offer "free and open" access.
- Stream offline. Certain music streaming apps, such as Apple Music or Spotify, allow you to create playlists for listening offline. Remember to download these using your home broadband. The same applies for podcasts and certain YouTube videos.
- Consider a data-free provider. Optus offers data-free streaming to certain mobile and mobile broadband prepaid customers for music (Spotify, Pandora, iHeartRadio, Google Play Music) and TV (Netflix, Stan, ABC iView). Virgin Mobile offers the same for music for postpaid plans valued at $40-plus.
- Switch off. "Push" notifications and automatic downloads and video auto-play features are your secret data drainers, especially if you're a Facebook or Instagram user. All can be disabled in "settings" so that they only work on Wi-Fi. And always manually close apps after use, especially GPS.

WINNER!

2017 *Money* magazine Best of the Best Award
Winner for Best-Value Mobile Plan – High Usage

BEST-VALUE MOBILE PLAN – HIGH USAGE
Money MAGAZINE
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BEST-VALUE PREPAID MOBILE PLANS – LOW USAGE

GOLD WINNER AMAYSIM

The deals are getting better for occasional users who just want to call and text

	PLAN	CREDIT EXPIRY	RE-CHARGE	COST 2M CALL	SMS COST	DATA	NETWORK
1	amaysim AS YOU GO	365 days	$10	24¢	12¢	7¢/MB	Optus 4G
2	ALDImobile PAYG	365 days	$15	24¢	12¢	5¢/MB	Telstra 4G
3	Vodafone PAYG Plus	365 days	$20	40¢	20¢	2¢/MB	Vodafone 4G

Source: whistleout.com.au.

The winners were ranked by the days to expiry and the price of a two-minute call. Providers with 50% more than average TIO complaints per 10,000 subscribers a year were excluded.

What is a low-usage customer? Essentially, it's someone who hardly ever uses their mobile but wishes to remain contactable or keep a phone for emergencies. These plans may suit the elderly or the very young.

Each of our winners has a 365-day credit expiry, meaning a once-yearly top-up would do.

For $10 per recharge, our gold medal goes to **Amaysim**'s prepaid As You Go plan with call rates of 24¢ for two minutes (to Australian landlines and mobiles) and 12¢ for texts. This plan has leapfrogged last year's winner, **ALDImobile**, by matching its credit expiry (plus call and text rates) for $5 less minimum re-charge. But on these plans it would be unwise to use the internet or any apps very often. For instance, with Amaysim you'll be charged 7.2¢/MB (or $7.20/GB), which isn't extortionate but isn't great value compared with monthly plans that include data.

Furthermore, when giving a phone with a low-usage plan to a teenager (for after-school use), be sure to explain the cost of calls, texts and data to prevent them running up astronomical bills chatting to friends who have fewer restrictions.

BEST-VALUE MOBILE PLANS – INTERNATIONAL CALLS

GOLD WINNER LEBARA

For a low cost you can keep in touch with family and friends in 60 countries

	PLAN	MONTHLY COST	CALLS & SMS LOCAL	CALLS & SMS INTNL	DATA	EXCESS DATA	NETWORK
1	Lebara Unlimited Intl	$49.90[1]	unlim	unlim[2]	5GB	15¢/MB	Vodafone 4G
2	Amaysim	$45	unlim	unlim[3]	7GB	$10/GB	Optus 4G
3	Boost Mobile UNLTD+	$40	unlim	unlim[4]	5GB[5]	Prepaid	Telstra 4G

Source: whistleout.com.au. [1]Set-up fee applies. [2]To 60 countries. [3]To 10 countries; 300min to 22 other countries. [4]To 10 countries. [5]Plus 1GB every weekend.

The winners were ranked by the range and type of international calls included and the price of a no-contract monthly plan. The plans had at least 1.5GB of data for local use and at least 100 minutes for international calls. Providers with 50% more than average TIO complaints per 10,000 subscribers a year were excluded.

Australians are an intercontinental bunch. About 28% of us were born overseas, according to the Bureau of Statistics. So, many people need a phone plan that includes calls to the homeland.

For the third year running **Lebara** takes top honours. Its Unlimited plan offers 5GB of data, unlimited national calls, SMS and MMS plus unlimited international calls (landline and mobile) to 60 countries, including the UK, US, China and New Zealand. As well, there are unlimited fixed-line calls to 19 countries, including Croatia, Greece and South Africa, and unlimited "family and friends" calls to Bangladesh and Pakistan.

On its Unlimited 7GB Plus plan, second-placed **Amaysim** ($45pm) offers unlimited calls to 10 countries, including the UK, US, New Zealand, Hong Kong, Thailand and Singapore, and unlimited international SMS and MMS to 32 countries. You'll also get a monthly 300 minutes (talk and text) in 22 countries, including Turkey, the Netherlands, the Philippines and Japan.

It's worth noting that should your friends and family live in countries with comparable home broadband services to Australia, it might be cheaper to communicate via mobile instant messaging apps, such as WhatsApp, Viber, Facebook Messenger or Skype.

Lebara

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BEST-VALUE MOBILE PLANS – AVERAGE USAGE

GOLD WINNER VAYA

A no-frills deal with unlimited calls and messages promises to beat all comers

	PLAN	COST PM	INCLUDED CALLS	INCLUDED DATA	EXCESS DATA	NETWORK
1	**Vaya Unlimited M**	$22	unlimited	2GB	$10/GB	Optus 4G
2	**Jeenee Pennywise Unlimited**	$25	unlimited	2.5GB	4¢/MB	Optus 4G
3	**Vaya Unlimited L**	$26	unlimited	3GB	$10/GB	Optus 4G

Source: whistleout.com.au.

The winners were ranked by the price of a no-contract monthly plan that included at least 2GB of data and unlimited calls and SMS within Australia. Providers with 50% more than average TIO complaints per 10,000 subscribers a year were excluded.

With demand for data steadily creeping up, even the most budget-conscious smartphone user will need to keep pace (the Australian average is now 1.8GB a month).

This category straddles the gap between high-use and low-cost plans. Compared with high-usage plans, you'll save upwards of $10 a month but you won't see nearly as much data.

With 2GB for $22 a month – plus unlimited calls, texts and picture messages – our winner is **Vaya's Unlimited M** plan.

"Vaya is currently the cheapest option for someone who needs unlimited calls and messages included in their plan. In fact, Vaya offers a price-beat guarantee to anyone who can find a cheaper offer," says WhistleOut editor Joseph Hanlon. "It's no-frills but this doesn't mean you sacrifice on service."

Additionally, the telco has benefited from being bought out by Amaysim (renowned for excellent customer service) at the start of 2016. And Hanlon predicts a happy marriage of industry-leading prices with stellar customer service.

But is 2GB enough?

"Plans around the 2GB mark tend to be reasonably priced but you'll need to stay on your toes," says Hanlon.

"Considering the average YouTube video uses about 20MB [for five minutes], you'll find yourself bumping up against that data limit fairly quickly."

For a few dollars more you might consider our second and third placegetters – **Jeenee** (2.5GB/$25 a month) and **Vaya** again (3GB/$26) – for slightly more data.

Still, exceeding your limit isn't nearly as catastrophic as it once was. You'll either be charged per GB used (around $10), or your speed will simply slow down at the end of the billing month. If you have any doubts about how much data you currently use, try the data usage calculator at WhistleOut.

Alternatively, you might contemplate a high-usage plan instead (see p128). For instance, our winning high-usage plan (OVO Mobile, $34.95pm) is only $12.95 more than our best average-usage plan, and will buy you an additional 6GB each month.

"An extra 6GB not only acts as a buffer against erroneous excess data fees but also removes the stress of keeping a close eye on your usage habits every month," says Hanlon.

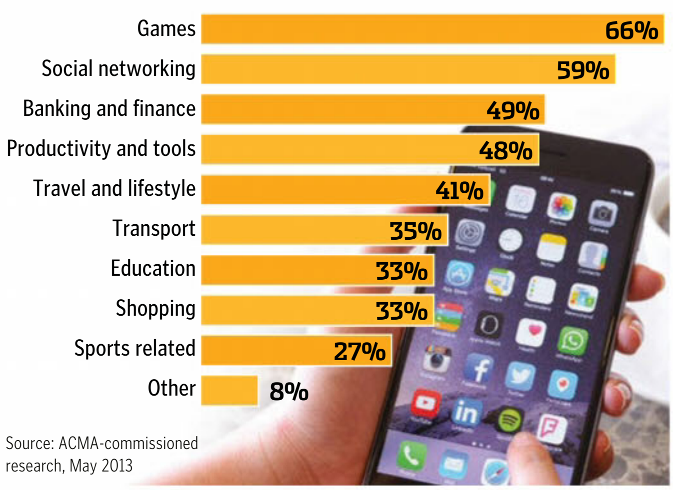
TIME IS RUNNING OUT FOR 2G USERS

You might think these awards are geared towards the smartphone user. And you'd be right: these days an estimated 90% of Australians use an Apple or android device.

But spare a thought for the basic mobile user. In December 2016 Telstra will switch off its 2G network for good (see "Bye, bye dumbphone" in November's issue) with Optus and Vodafone following suit in 2017 (April 1 and September 30 respectively). Those with basic 2G mobiles will need to upgrade to a 3G-enabled handset pronto. Some medical alarms, security systems and vehicle trackers will also be affected in the shutdown. It will be best to contact your phone's manufacturer or call Telstra (1800 718 650) if you have any concerns. The good news is that an equivalent 3G "feature" phone won't cost much more than $100 upfront; some can be found for as little as $25. Compared with spending around $1100 for an iPhone 7, it's not such a huge outlay for staying connected. Should you know a "dumbphone" user, now might be the time to convince them to upgrade.

HOW WE USE OUR SMARTPHONES

Types of apps downloaded



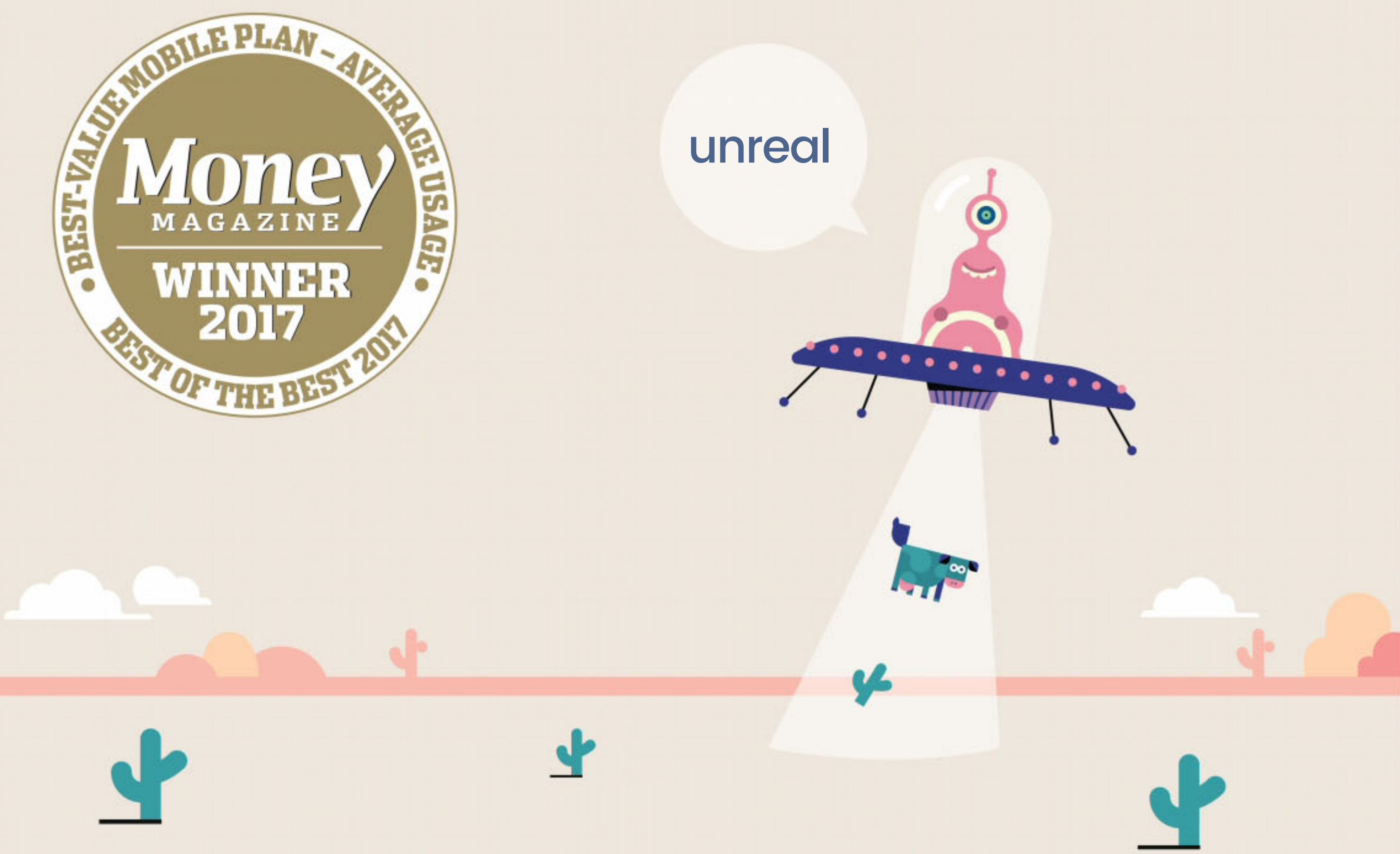
Source: ACMA-commissioned research, May 2013 vaya

$22/mth

2GB data
Unlimited talk & text

To standard Aussie numbers

Excess data is $10/GB. T&Cs & Fair Use Policy apply.



CHEAPEST CAR INSURANCE

GOLD WINNER BINGLE

If you have an accident, you can lodge a claim on the spot via an app

As part of the Suncorp Group, **Bingle**, which won this award last year, has all the resources of a big insurer but it keeps premiums down by operating chiefly online. Drivers can even make a claim at the scene of an accident using the Bingle Claims Buddy app.

Bingle's comprehensive cover includes protection for motor accidents, damage by storm, hail or fire, and theft and malicious damage.

Your car's insured value is estimated by Bingle. However, this can be reduced at claim time if Bingle believes the market value of your car is lower than its estimate.

	PROVIDER	AVGE ANN'L PREMIUM[1]	PREMIUM RANGE[2]	'NO EXCESS' OPTION	PAY MTHLY, NO PENALTY	MAX CAR AGE FOR NEW REPLT
1	**Bingle Comprehensive**	\$615	\$194	✗	✗	not available
2	**Allianz Comprehensive**	\$573	\$309	✗	✗	2 years
3	**Budget Direct Gold Comp**	\$600	\$302	✗	✗	2 years

Source: CANSTAR. [1]If paid yearly. [2]Difference between highest and lowest premiums.

The winners were scored on their average annual premiums (80%) across vehicle types and their premium ranges (20%) for male primary and female secondary drivers, 30-49 years old.

It is worth reading through Bingle's product disclosure document as there are some noteworthy exclusions.

For example you aren't covered if you're using your car for financial gain (Uber drivers take note) and windscreen damage isn't automatically included. Bingle rewards drivers who make it through three years without a claim with a 16% discount on their premium.

As well as the standard protection, second placegetter **Allianz** will pay you up to \$1000 for lock re-keying and re-coding if keys to your vehicle are stolen and will replace a child seat or baby capsule in the vehicle after a covered accident.

Allianz says you can save up to 24% when you name your drivers and buy your policy online.

CHEAPEST HOME & CONTENTS INSURANCE

GOLD WINNER BUDGET DIRECT

Take advantage of the savings offered for online transactions and bundled policies

Budget Direct provides a 20% discount for arranging and paying for cover online, and a 35% saving when home and contents insurance are bundled together. You can further reduce your premium by choosing a higher excess.

The standard policy provides protection for the cost of repairing, rebuilding or replacing your home and contents if they are damaged or destroyed by fire, storm or rainwater.

Along with cover for theft (provided it's reported to the police) Budget Direct also covers accidental breakage of glass or ceramic fixtures, and impact damage to your home through, say, fallen trees. Other structures included in the building policy are garages, outdoor sitting areas, garden sheds and fences, and even in-ground swimming pools.

Easily overlooked costs such as the removal of debris are included in standard cover, as well as up to one year of temporary accommodation if your home is so badly damaged it's no longer habitable.

Budget Direct also offers uninsured guests' contents cover up to \$500 and will pay up to \$500 for replacement of locks.

	PROVIDER	PRODUCT	AVGE ANN PREMIUM[1]	NO EXCESS OPTION	PAY MTHLY NO PENALTY	MULTI POLICY DISC
1	**Budget Direct**	Home & Contents	\$706	✗	✗	✓
2	**Dodo**	Home & Contents	\$709	✗	✗	✓
3	**1300 Insurance**	Home & Contents	\$742	✗	✗	✓

Source: CANSTAR. [1]If paid yearly.

The winners were scored on their average annual premium, across property types and states, low- and high-sum insured. Only regions south of Rockhampton were considered.

The standard policy does not include flood cover or protection for personal items such as jewellery or laptops when they are taken out of your home; however, these optional extras can be added for a slightly higher premium.

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CHEAPEST TERM AND TPD INSURANCE

GOLD WINNER MLC

Consider "outside" policies if your cover through super seems inadequate

About 60% of Australians have some form of life cover and, according to a report by the insurer Zurich, 63% of these people hold it through their super fund. But studies regularly suggest many workers who rely on life cover through super are underinsured. Arranging and paying for cover outside super can be a way of topping up your life insurance or tailoring a policy more closely to personal needs.

MLC's Life Cover pays the traditional lump sum, potentially as much as $15 million, to nominated beneficiaries if you die. The cover is available both inside and outside super.

The policy also offers terminal illness and accidental injury cover, with access to an advanced death benefit of up to $20,000. If you opt for a lump sum payout of at least $100,000, the policy includes up to $5000 for the preparation of a written financial plan.

MLC allows policyholders aged 30-plus to freeze stepped premiums. This doesn't mean that premiums remain the same indefinitely – they can rise in line with inflation, for instance – but you won't be slugged with age-based increases.

Total and permanent disability (TPD) insurance is available as an add-on through MLC's term life cover. Benefit payments start from $25,000 and rise to as much as $5 million for a number of professional occupations, including surgeons and solicitors.

Second placegetter **Asgard** is part of the BT Financial Group, which in turn is owned by Westpac. As such, Asgard products can be purchased only through a financial adviser.

This will be a hurdle for some consumers but it's not necessarily a bad thing. A recent review of the life insurance industry by the Australian Securities and Investments Commission (ASIC) found that fewer claims were rejected among consumers who organised life cover through a financial adviser.

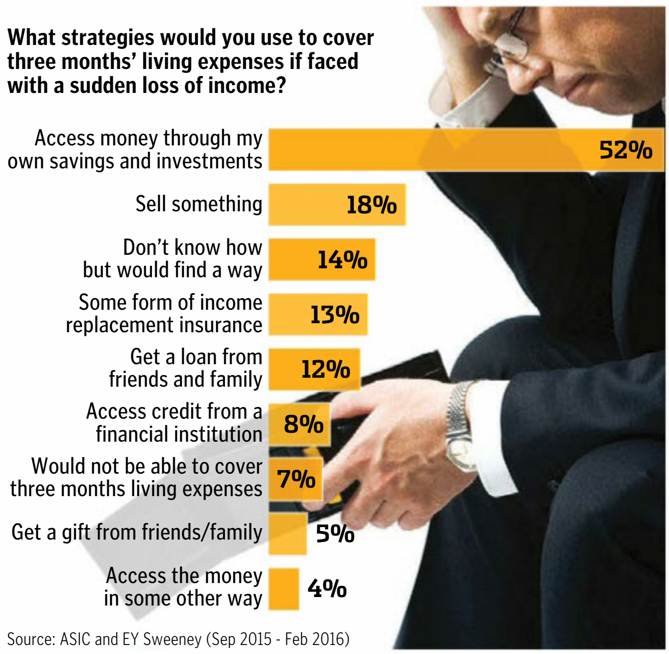
In third place, **AMP** offers life, TPD and other types of personal cover such as trauma insurance as standalone policies, which can be purchased and held independent of each other. Policyholders who take out multiple personal cover policies with AMP may be eligible for discounted premiums.

	COMPANY	PRODUCT	AVERAGE YEAR 1 PREMIUM	AVGE YR 1 PREMIUM[1]		AVGE YR 1 PREMIUM[1]	
				WHITE COLLAR	BLUE COLLAR	MALE	FEMALE
1	MLC Insurance	Life Cover	$513	$458	$567	$553	$473
2	Asgard Cap Mgt	Life Protection	$551	$501	$602	$582	$521
3	AMP	Elevate Life Ins Plan	$573	$511	$634	$614	$531

Source: CANSTAR. [1]Non-smoker, non-executive office worker and blue-collar electrician; 30-& 40-year-olds; $500,000 worth of death & TPD insurance, any occupation.

The winners were ranked by their stepped year-one premiums for $500,000 cover. Note that annual premiums increase at different rates for different products.

SURVIVAL: THREE MONTHS WITHOUT INCOME



Source: ASIC and EY Sweeney (Sep 2015 - Feb 2016)

CODE AIMS TO CLOSE THE GAPS

Following well-publicised scandals involving denial of life cover claims, the Financial Services Council recently launched a new code of practice designed to improve consumer experiences of life cover. The code aims to fill gaps missing in legislation, particularly with regard to plain-English disclosure and new standards for investigating claims.

While time will tell if the code makes a measurable difference for consumers, the watchdog ASIC found that despite the adverse publicity, a big majority of life insurance claims (about 90%) are paid in the first instance. For the year ending June 30, 2016, at least $8.2 billion in net policy payments were made by life insurers.

That said, one of the problem areas is TPD cover. Among the claims reviewed by ASIC, an average of 16% were denied, rising to 37% among some insurers (ASIC did not reveal the names). This highlights the importance of understanding what you're signing up for, because the only time you're likely to discover you're not insured for a particular health issue is when you make a claim.

BEST-FEATURED INCOME PROTECTION INSURANCE

GOLD WINNER AIA

The cost of a rehabilitation program is one of the many extras covered

AIA packs plenty of extras into its Income Protection Plan PLUS Optional product.

Policyholders can choose an agreed value benefit where the value of your monthly payment is based on your income when you take out cover. Or you can select an indemnity value payout, with the benefit based on your income at the time of making a claim.

Among the wide range of extras, a rehabilitation expenses benefit sees AIA pay the cost of an approved rehabilitation program. And a severity benefit means AIA will pay an additional third of your monthly payment if you can't perform the normal functions of daily life and you have been receiving benefits for six months.

One of the noteworthy points of difference is that AIA's income cover pays a death benefit worth six times the insured monthly benefit up to $60,000.

If you are a PAYG employee, AIA offers the option to increase your monthly benefit each time you receive a pay increase.

And a no-claim bonus, which increases the value of your monthly benefit, is available to policyholders who hold a policy for three years without making a claim.

	PROVIDER & PRODUCT	AVERAGE YEAR 1 PREMIUM[1]	BENEFIT PERIOD OPTIONS	WAITING PERIOD OPTIONS	MAX SUM INSURED (PM)	BENEFIT PAYMENTS
1	AIA Inc. PPlan PLUS Optional	$2616	4	6	$60,000	monthly
2	TAL Income PP Premier	$2120	5	7	$40,000	monthly
3	Asteron Life IP Plus	$2583	4	6	$60,000	monthly

Source: CANSTAR. [1]Non-smoker, non-executive office manager; $80,000 income. Benefit is 75% of salary (agreed value) payable monthly; 30-day wait, to age 65 benefit period; average stepped premium across women and men, 30- and 40-year-olds.

The winners were ranked by a scoring system that awarded points for features, including policy benefits and options and claim payment terms. Product must be available for both blue and white collar occupations.

CHEAPEST INCOME PROTECTION INSURANCE

GOLD WINNER CLEARVIEW

Flexibility and a wide range of benefits provide good value for money

Our winner **ClearView's** income protection cover pays an ongoing monthly benefit worth up to 75% of your regular wage or salary if you can't work due to illness or injury. The minimum monthly benefit is $1500, and policyholders can select from a range of benefit periods spanning two to five years or to age 60, 65 or 70.

ClearView's cover offers the flexibility to choose between level or stepped premiums – the latter increase each year with age.

Policyholders can also nominate the waiting period before benefits are paid, and this can be a way of cutting the cost of cover. The longer the waiting period, the lower the premium (this assumes you have the cash to tide you over until the benefits start flowing). Waiting periods range from 14, 30, 60, 90 or 180 days right through to one or two years. If you become totally disabled as a result of a medical condition specified in the policy, ClearView will waive the waiting period. Benefits are indexed, meaning the payment you receive increases each year in line with inflation.

	PROVIDER & PRODUCT	AVERAGE YEAR 1 PREMIUM[1]	AVGE YEAR 1 PREMIUM		AVGE YEAR 1 PREMIUM[1]	
			WHITE COLL	BLUE COLL	MALE	FEMALE
1	ClearView Income Protection	$1645	$1128	$2161	$1308	$1982
2	TAL Income Protection Plan Std	$1827	$1265	$2389	$1478	$2175
3	CommInsure Income Care	$1836	$1213	$2458	$1533	$2138

Source: CANSTAR. [1]Non-smoker, non-executive office worker and blue-collar electrician, women and men; $80,000 income. Benefit is 75% of salary (agreed value) payable monthly; 30-day wait, to age 65 benefit period. Non-smoker male and female premiums were used for a 30 and 40 year old in a blue-collar occupation and a white-collar occupation.

The winners were ranked by their average stepped year-one premiums for an income of $80,000. Note that annual premiums increase at different rates for different products.

Top drops $20 or less

Australians are spoiled for choice when it comes to reasonably priced, high-quality wines for everyday drinking. Peter Forrestal nominates 20 of the best, plus three for a special occasion.

Our annual report on the best quaffing wines around provides 20 great examples of what the Australian wine industry can do to satisfy the need (or desire) of consumers for everyday drinking. We have included some special-occasion wines for when a thoughtful investment has repaid you handsomely or when an important milestone has been reached.

However, back to reality. It's the everyday that concerns most of us most of the time. When you are looking for the bargain-basement wines under $15 you need to work a bit harder than once was the case. They are there, and the best are decent, well-made wines. You'll most likely find them in supermarkets, in my experience, coming from the reputable large companies – Angove, De Bortoli, Houghton, Jacob's Creek, Lindeman's, Oxford Landing and Wolf Blass – and are most likely sourced from the Riverina or the Riverland. You need to be clever and buy at least half a dozen wines at a time, looking for the 30% discount that supermarkets regularly offer.

There is a perceptible improvement in quality when you pay between $10 and $20 for a bottle. My advice would be to become friendly with a retailer and let them know the kind of wines you're looking for. In addition, read and follow the recommendations of established and reputable wine writers.

TOUGH FOR WINERIES

Life continues to be pretty tough for most wineries in Australia at present. There have been some improvements in exports to Asia and the US although the fall in the value of the pound following Brexit has made it increasingly difficult for Australians to sell wine in the UK. Here, the major supermarkets are keeping financial pressure on wineries by reducing margins and by continuing to expand their own-brand products which, like cheap milk and bread, sell solely on the basis of price. On the positive side, most Australian regions enjoyed a bountiful, good-quality harvest in 2016.

HOW WE CHOSE THE WINES

I look for a balanced representation of the wines I've tasted over the year yet am always concerned about quality first and foremost. Sauvignon blanc and shiraz are the varieties found in Australia's most popular quaffing wine. There are plenty of quite different examples of both in these recommendations. A delicious moscato, a fruit-driven chardonnay and a savoury pinot grigio are included as well as two examples of the undervalued and, therefore, well-priced riesling. Also included are a shiraz rosé, two examples of traditional shiraz blends and something completely different – a wonderfully seductive blend of syrah and gamay from the Yarra. Twelve regions, two multi-regional wines and four states are represented here. Varietal wines are more popular in Australia than blends and so the latter will tend to be more modestly priced, though no less delicious.

Peter Forrestal is a freelance wine writer who is presenting this annual selection for the 16th time. He is based in Perth and contributes to Money *each month. He also writes for a variety of national and international publications.*

10 best-value WHITES

DEAKIN ESTATE 'AZAHARA' MOSCATO $15

This non-vintage bubbly from a top Murray Darling producer has performed well at a couple of overseas wine shows. It's made from muscat gordo blanco, has attractive floral aromatics, is sweet and alluring on the mid-palate yet finishes fresh, clean, crisp and lively. Best of all, it has only 6% alcohol so you can enjoy another glass.

2016 ZONTE'S FOOTSTEP 'DOCTORESSA DI LAGO' PINOT GRIGIO $18

There's a flood of pinot grigio on the market, too much of it sourced from climates that are warmer than ideal. This comes from the chill of the Adelaide Hills and so it's no wonder that it's fresh and clean with stone fruit flavours and some savoury notes before a vibrant, crisp finish.

2016 JIM BARRY WATERVALE RIESLING $20

The Barry Boys are continuing their grandfather's work with some help from father Peter. As most of their fruit is from Clare, it's not surprising that riesling is the specialty. This is regularly among the country's best-value examples of the variety. In 2016 it has powerful lemon-lime aromatics, intense lemon juice and lime zest flavours, and a mouth-puckering finish that is crisp, dry and long.

2016 O'LEARY WALKER WATERVALE RIESLING $16

It's hard to believe the price of this excellent example of classic Clare riesling sourced from the unirrigated vines of a grower's single vineyard. There are attractive floral aromatics, juicy, even crunchy lemon juice flavours and a fresh, dry finish of good length. Great quality, excellent value.

ANDREW FINLAYSON

2016 ROSILY SAUVIGNON BLANC $20
Excellent value for money, with a trophy at the Mount Barker Wine Show in Western Australia to prove that. This small family-owned Margaret River winery continues to improve now its vines are mature. The 2016 sauvignon is lively, taut and powerful with tropical fruit aromas, peach and passionfruit flavours, and a clean, refreshing and crisp finish.

2016 VASSE FELIX CLASSIC DRY WHITE $19
This is the cheapie in the impressive portfolio of Margaret River's first winery (turning 50 in 2017), currently comfortable among the region's finest producers. It's an unoaked blend of semillon and sauvignon blanc that is fresh, clean and uncomplicated with pleasing tropical fruit aromatics and lively herbal flavours.

2016 XANADU 'EXMOOR' SAUVIGNON BLANC SEMILLON $18
Under the direction of the Rathbone Group and winemaker Glenn Goodall, Xanadu has forced its way into the top echelon of Margaret River producers with many stunning wines. This well-priced gem will make delicious summer drinking: fresh and vibrant with lightly tropical flavours of guava and passionfruit and a taut and bright finish.

2016 ANGOVE ORGANIC SAUVIGNON BLANC $16
This is sourced from Angove's outstanding Nanya Vineyard. In what was an early but very good harvest for the region, the 2016 organic sauvignon was clean, fresh and varietal – gentle, ripe tropical flavours with light herbal notes – before a crisp, lively finish. Pleasant, uncomplicated summer drinking.

2016 BREMERTON 'BETTY & LU' SAUVIGNON BLANC $17
Langhorne Creek reds tend to impress more than the whites yet the cool growing season of 2016 saw some delights, such as this refreshing sauvignon from Rebecca Willson and her sister Lucy. It is lightly aromatic with pristine white peach flavours and fresh garden herbs, finishing clean, delicate and vibrant.

2016 WEST CAPE HOWE CHARDONNAY $20
The Mount Barker-based winery produces excellent wines at all price points. This is part of the Cape to Cape range and will delight those looking for fruit-driven chardonnay. It's lightly framed, bright and quite lean with fresh tropical fruit flavours of nectarine and white peach, finishing with crisp, lively acidity.

10 best-value REDS

2016 PAXTON SHIRAZ ROSÉ $20
The Paxtons have been growing grapes in McLaren Vale for four generations and now manage their vineyards biodynamically. This delicious rosé is a varietal shiraz, picked early, low in alcohol, and has minimal time on skins. It has fresh rose petal aromas, a clean and bright mid-palate and a crisp, lively, spicy finish.

2015 PIKE & JOYCE 'RAPIDE' PINOT NOIR $20
Quaffing pinot of very good quality is a rarity. This is from the Adelaide Hills home of the Clare Valley's Pike brothers, Neil and Andrew. It has attractive briary aromatics, intense strawberry and red cherry flavours, is light- to medium-bodied with silky texture and a finish that is long and gently gripping.

2016 DE BORTOLI 'LA BOHÈME ACT FOUR' SYRAH GAMAY $20
This is a brilliant, innovative pairing of syrah and gamay from the Yarra Valley offering a distinctive red that is serious, complex and concentrated yet fresh, vibrant and approachable. It has brooding, briary aromas, juicy blackberry and bramble flavours, medium body and a supple, fleshy finish. Delicious.

2014 SCHILD ESTATE GRENACHE MOURVÈDRE SHIRAZ $18
Here is a classic example of how well these three varieties blend in a tricky yet excellent vintage in the Barossa. There's a vibrancy that shows in its lifted red berry aromas and bright raspberry and bramble flavours. It is fruit-driven, fleshy, soft and immediately approachable.

2015 CALABRIA FAMILY 'COOL CLIMATE' TEMPRANILLO $15
The popular family-owned Griffith winery reaches out to cooler regions to source the wines for this series and delivers them at remarkable prices. From the Hilltops region of NSW, the 2015 has attractive floral aromatics and raspberry, briary, brambly flavours that are densely concentrated yet plush and fleshy.

2016 MAJELLA 'THE MUSICIAN' CABERNET SHIRAZ $19
This blend of cabernet and shiraz from Coonawarra is regularly among the country's best value-for-money reds. The 2016 vintage is brightly perfumed, supple, round and full-flavoured with vanilla bean, black cherry and dark plum flavours. A classic red.

2015 BROWN BROTHERS 'THE STANDOUT' SHIRAZ $15
Impressive shiraz from Victoria's Heathcote region for less than $15 a bottle is not common. This one shows lively aromatics of redcurrant and dark berries with a hint of vanilla bean. The palate is medium-bodied but pleasingly fleshy, vibrant and fruity, finishing with fine, lingering tannins.

2015 RED KNOT SHIRAZ $15
This is one of the labels of the Davey family's Shingleback, which produces excellent McLaren Vale wines. The Red Knot reds are consistently among the country's best-value wines. This shiraz is supple and fleshy, verging on plush. It has blackberry and bramble flavours, is lively, fresh and bright with gentle, fine-grained tannins.

2014 YALUMBA GALWAY SHIRAZ $17
Here is a brilliantly priced Barossa shiraz with a heritage stretching back to the 1940s. It is dense, brooding and powerful with concentrated blackberry and bramble flavours balanced by a pleasing succulence and a touch of finesse.

2016 WOLF BLASS RED LABEL SHIRAZ $14
At their best, Australia's largest companies produce wines to match the world's best at comparable prices. This Red Label Shiraz is made in substantial quantities and so is readily available and discounted generously. It is medium- to full-bodied, rich and concentrated, with supple tannins that give the gentlest grip. Easy drinking.

SPLURGE

2002 PIPER-HEIDSIECK 'RARE' MILLÉSIME $299
During a history stretching back to before the French Revolution, Piper-Heidsieck is unlikely to have ever been making better bubbly. The 2002 'Rare' is from an exceptional though tricky vintage. It is a blend of chardonnay (70%) and pinot from 17 grand cru villages on the Montagne de Reims, given at least seven years to mature before disgorgement. Remarkably fresh and vibrant for its age, it is complex, multi-layered, fine and tight. There is delicacy, balance and power and, importantly, flavour that lingers.

2016 GROSSET 'POLISH HILL' RIESLING $54
On the auction market 'Polish Hill' is Australia's most popular white wine due to its quality, consistency and ability to age well under careful cellaring. That the vines struggle in a tough, rocky vineyard contributes to the wine's austerity and marvellous concentration of flavour. Recent vintages have a pleasing generosity, a juiciness and a dry, thirst-quenching drinkability. The impressive 2016 has intense lime juice flavours in the mid-palate while shaley, minerally characters mark its long, dry finish.

2014 PENFOLDS BIN 389 CABERNET SHIRAZ $90
This is Australia's most collected wine, a multi-regional blend from South Australia made since 1960. It is matured in the oak casks from the previous Grange. The 2014 Bin 389 is outstanding: brooding, briary aromatics that are complex and enticing; dark berry, brambly flavours that are plush, rich and concentrated in the mid-palate. There's a lingering finish with a gentle grip and impressive length. Decant and drink over the next five years or cellar carefully for 20 years or so.

Road to excellence

Whether it comes down to performance, economy or versatility, James Whitbourn nominates the best performers in our annual survey.

BEST-VALUE GREEN CARS

GOLD WINNER SKODA FABIA 66 TSI

Calling a car "green" is an arbitrary distinction. From a Best of the Best point of view, a green car uses the least amount of fuel possible while delivering a satisfactory level of safety, quality and driver appeal. To quantify these qualities, we set our safety criterion at an ANCAP five-star rating, and our fuel consumption ceiling at 5.0L/100km. Only petrol and petrol/electric hybrid cars were considered – diesel emissions are relatively dirty.

The fuel economy of a hybrid will always outdo a conventionally powered car of comparable size but this ability comes at a price premium. This year that premium again proved too great to overcome through savings at the bowser. Though the $22,990 Toyota Prius C and its bigger sibling the $26,990 Corolla Hybrid deliver 3.9 and 4.1L/100km official fuel economy respectively, so are worth a close look if your efficiency-versus-affordability equation is different from ours.

With the safety and driver enjoyment criteria ruling out cheap and economical yet unappealing little cars such as the Suzuki Celerio, our placegetters were all a size bigger, from the light class. **Skoda's Fabia** hatchback led the charge, powered by a 1.2-litre four-cylinder petrol engine that uses 4.8L/100km officially while balancing reasonable entry cost with stout resale.

A retained value percentage of 52% put the **Mazda2 Maxx** in second spot. Third place for the **Peugeot 208** marked the model's third podium appearance in as many years. It did its best cash-saving by being the least costly to buy, at $15,990, and the most fuel-efficient.

$16,490 Skoda Fabia 66 TSI	$19,690 Mazda2 Maxx	$15,990 Peugeot 208 Access
BODY: 5-door hatch	**BODY:** 5-door hatch	**BODY:** 5-door hatch
ENGINE: 1.2-litre 4-cylinder petrol turbo	**ENGINE:** 1.5-litre 4-cylinder petrol	**ENGINE:** 1.2-litre 3-cylinder petrol
DRIVER RATING: 7.5	**DRIVER RATING:** 7.5	**DRIVER RATING:** 7.0
FUEL CONSUMPTION: 4.8L/100km (combined cycle)	**FUEL CONSUMPTION:** 4.9L/100km (combined cycle)	**FUEL CONSUMPTION:** 4.5L/100km (combined cycle)
EMISSIONS (CO_2): 109g/km	**EMISSIONS** (CO_2): 114g/km	**EMISSIONS** (CO_2): 104g/km
INSURANCE: $627.74	**INSURANCE:** $690.78	**INSURANCE:** $678.39
RESALE: 48%	**RESALE:** 52%	**RESALE:** 42%
PLUS: Cash-saving capability and character align in the little-known Czech brand's baby hatchback. The surprisingly spacious wagon costs just $1150 more than the hatch.	**PLUS:** The Mazda2 is one of the best light car picks for a keen driver, thanks to its eager, flexible engine, sporty handling and delightful manual gearbox.	**PLUS:** The three-cylinder engine gives the Access a unique and pleasant sound compared with its mostly four-cylinder rivals. Equipment level and interior comfort, finish and space are more than the money's worth.
MINUS: Having to pay extra for cruise control is one of the few drawbacks on the value front.	**MINUS:** Ride comfort is not as supple as that of some rivals, and there's a bit more tyre noise, particularly on rough roads.	**MINUS:** The driving position and floating instrument panel won't suit every shape and taste.

BEST-VALUE SUVs

GOLD WINNER MAZDA CX-5 MAXX 2WD

A glance at the price tags worn by our sports utility placegetters – and their similar basic specifications – highlights the intense competition in this booming car category. Each of them falls within the $27,000 to $28,000 bracket, has a 2.0-litre petrol engine, a six-speed manual gearbox and front-wheel drive. They may look a bit like off-roaders but they're designed for the road, which is where the average SUV spends its life.

Though it is mechanically alike, the **Mazda CX-5** sets itself apart from the other two with its cash-saving qualities: a slightly lower price teams with a stronger three-year resale figure and superior 6.4L/100km fuel economy.

The **Honda CR-V VTi** and the **Toyota RAV4 GX**, meanwhile, are much closer: their fuel consumption is 7.8 and 7.7L/100km respectively, and they have an identical 52% Glass's retained value forecast. There's only about $10 difference in their annual insurance premium too, which might make choosing between our runners-up a matter of taste as much as value.

$27,190 Mazda CX-5 Maxx 2WD	$27,490 Honda CR-V VTi 2WD	$27,990 Toyota RAV4 GX 2WD
BODY: 5-door wagon	**BODY:** 5-door wagon	**BODY:** 5-door wagon
ENGINE: 2.0-litre 4-cylinder petrol	**ENGINE:** 2.0-litre 4-cylinder petrol	**ENGINE:** 2.0-litre 4-cylinder petrol
DRIVER RATING: 8.0	**DRIVER RATING:** 7.0	**DRIVER RATING:** 6.5
FUEL CONSUMPTION: 6.4L/100km (combined cycle)	**FUEL CONSUMPTION:** 7.8L/100km (combined cycle)	**FUEL CONSUMPTION:** 7.7L/100km (combined cycle)
EMISSIONS (CO_2): 149g/km	**EMISSIONS** (CO_2): 182g/km	**EMISSIONS** (CO_2): 179g/km
INSURANCE: $732.92	**INSURANCE:** $752.36	**INSURANCE:** $763.63
RESALE: 56%	**RESALE:** 52%	**RESALE:** 52%
PLUS: Capable and enjoyable handling; fuel economy; nicely finished, spacious cabin.	**PLUS:** Clever, well-appointed and spacious interior; refined engine and slick manual gearshift.	**PLUS:** Cabin durable and versatile; decent dynamics; reputation for reliability.
MINUS: The persuasive turbo-diesel is preferable yet pricey.	**MINUS:** 2.0-litre lacks the oomph of the 2.4 in the VTi all-wheel drive; steering, handling and ride can't match CX-5.	**MINUS:** Engine needs plenty of accelerator for brisk progress.

BEST-VALUE SMALL CARS

GOLD WINNER TOYOTA COROLLA ASCENT

Since the large car began its sales slide at the end of last decade, the **Toyota Corolla** has routinely battled atop the sales charts. In fact, since the Holden Commodore's 15-year run at No. 1 ended in 2011, the Corolla has taken the top spot for three years running (2013-15) and it sits on the top rung for 2016 at the time of writing.

Australians are smart enough to recognise a value-packed car when we test-drive it, and our Best of the Best analysis reveals exactly why the Corolla is so good. On the strength of its popularity, it holds its value better than the others, with a three-year retained value forecast of 54%.

Its Japanese arch rival, the **Mazda3**, fell two spots from last year's Best of the Best rank to finish third. A firm favourite, the Mazda3 was the country's bestseller in 2011 and 2012, and put in strong performances in the economy, resale and driver-appeal scoring fields.

In between, with best-on-podium 4.6L/100km fuel economy, the French **Peugeot 308** is a lesser-known small-car choice.

$19,790 Toyota Corolla Ascent	$21,990 Peugeot 308 Access	$20,490 Mazda3 Neo
BODY: 5-door hatch	**BODY:** 5-door hatch	**BODY:** 5-door hatch
ENGINE: 1.8-litre 4-cylinder petrol	**ENGINE:** 1.2-litre 3-cylinder petrol turbo	**ENGINE:** 2.0-litre 4-cylinder petrol
DRIVER RATING: 7.0	**DRIVER RATING:** 8.5	**DRIVER RATING:** 8.5
FUEL CONSUMPTION: 6.7L/100km (combined cycle)	**FUEL CONSUMPTION:** 4.6L/100km (combined cycle)	**FUEL CONSUMPTION:** 5.8L/100km (combined cycle)
EMISSIONS (CO_2): 156g/km	**EMISSIONS** (CO_2): 107g/km	**EMISSIONS** (CO_2): 136g/km
INSURANCE: $647.47	**INSURANCE:** $720.42	**INSURANCE:** $808.36
RESALE: 54%	**RESALE:** 49%	**RESALE:** 52%
PLUS: Resale; reliability reputation; decent to drive; interior space.	**PLUS:** Attractive looks; three-cylinder engine's uniquely appealing sound; enjoyable handling.	**PLUS:** Terrific handling; good-looking exterior design; excellent build quality.
MINUS: Can't match the fuel economy of some rivals; uninspiring engine.	**MINUS:** You have to use the multimedia touchscreen to adjust the air-conditioning.	**MINUS:** Engine can't match the low-speed effortlessness of turbo alternatives.

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BEST-VALUE FAMILY CARS

GOLD WINNER SKODA OCTAVIA AMBITION 110TSI

The **Skoda Octavia**'s strategy of building a big, feature-packed family sedan (and wagon) on small car underpinnings has proven a winning recipe. It won our family car class in 2015 and 2016, and a low purchase price and excellent fuel economy have helped it onto the top step again in our 2017 awards. Despite the origins of some of the bits beneath, and the fact it's yet to completely shed its well-kept-secret status, the Octavia is roomy and deserves a spot on your family car shortlist.

Meanwhile, the **Subaru Liberty** has been a dependable pick since the first version arrived in Australia in 1989 and it still gives buyers a lot for their money, including all-wheel drive. A solid 55% three-year resale figure has helped it climb to second from third last year.

The **Mazda6** matched the Liberty's resale but costs more to buy. It offsets this with a higher driver-appeal rating and superior 6.6L/100km fuel economy on normal unleaded, while both its rivals call for premium petrol.

$22,990 Skoda Octavia Ambition 110TSI	$20,490 Subaru Liberty 2.5	$29,990 Mazda6 Sport
BODY: 4-door sedan	**BODY:** 4-door sedan	**BODY:** 4-door sedan
ENGINE: 1.4-litre 4-cylinder petrol turbo	**ENGINE:** 2.5-litre flat 4-cylinder petrol	**ENGINE:** 2.5-litre 4-cylinder petrol
DRIVER RATING: 8.0	**DRIVER RATING:** 6.5	**DRIVER RATING:** 7.5
FUEL CONSUMPTION: 5.7L/100km (combined cycle)	**FUEL CONSUMPTION:** 7.3L/100km (combined cycle)	**FUEL CONSUMPTION:** 6.6L/100km (combined cycle)
EMISSIONS (CO_2): 126g/km	**EMISSIONS** (CO_2): 167g/km	**EMISSIONS** (CO_2): 153g/km
INSURANCE: $791.87	**INSURANCE:** $760.19	**INSURANCE:** $899.60
RESALE: 40%	**RESALE:** 55%	**RESALE:** 55%
PLUS: Roomy cabin and massive boot; clever features and value; engine flexibility and economy.	**PLUS:** High-quality, full-featured interior; all-wheel-drive grip; reputation for reliability.	**PLUS:** Stylish look; loads of space in well-finished interior; engine note and economy.
MINUS: Not as quiet and refined as the Volkswagen Golf it's based on (however, it's a roomier car for similar money).	**MINUS:** Relatively thirsty; not as much fun to drive as some alternatives.	**MINUS:** The excellent (but more expensive) turbo-diesel Touring version is both more powerful and more economical.

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BEST-VALUE PREMIUM PERFORMANCE CARS

GOLD WINNER AUDI RS3

$78,616 Audi RS3	$77,900 Mercedes-Benz A45 AMG	$89,900 BMW M2 Pure
BODY: 5-door hatch	**BODY:** 5-door hatch	**BODY:** 2-door coupe
ENGINE: 2.5-litre 5-cylinder petrol turbo	**ENGINE:** 2.0-litre 4-cylinder petrol turbo	**ENGINE:** 3.0-litre 6-cylinder petrol turbo
DRIVER RATING: 8.5	**DRIVER RATING:** 8.5	**DRIVER RATING:** 8.5
FUEL CONSUMPTION: 8.1L/100km (combined cycle)	**FUEL CONSUMPTION:** 7.3L/100km (combined cycle)	**FUEL CONSUMPTION:** 8.5L/100km (combined cycle)
EMISSIONS (CO_2): 189g/km	**EMISSIONS** (CO_2): 171g/km	**EMISSIONS** (CO_2): 199g/km
INSURANCE: $1032	**INSURANCE:** $994	**INSURANCE:** $1046
RESALE: 67%	**RESALE:** 53%	**RESALE:** 57%
PLUS: Among the quickest cars available for the money; supercar-like engine note; offers a compelling blend of practicality and blinding performance.	**PLUS:** Wildly quick and capable; razor-sharp handling with tenacious all-wheel-drive traction and immense grip.	**PLUS:** Potent, sonorous six-cylinder engine; superb rear-wheel-drive handling.
MINUS: Fuel consumption if you use all the available performance; speeding tickets.	**MINUS:** Hard ride comes as trade-off for the cornering ability; limited rear legroom.	**MINUS:** The highly desirable limited-slip differential and big brakes come at an extra cost.

Audi's five-cylinder turbo RS3 hatch has shaken up the sports luxury establishment. There's little between the four-ringed firebrand and 2016's victor, the **Mercedes-Benz A45 AMG**, in many areas. But, the **Audi RS3** makes its mark with a spectacular 67% three-year retained value forecast – a big saving.

This category dictates a 0-100km/h acceleration figure that starts with a four. The Mercedes leads with a rocket-quick 4.2 seconds, with the RS3 close behind at 4.3. Both have the help of all-wheel drive and dual-clutch automatic transmissions. The **BMW M2** does well to sprint from rest to 100km/h in 4.5 seconds with rear-driven wheels and a six-speed manual gearbox.

9 of the best summer reads

Whether you're looking for inspiration or relaxation, this is the time of year to enjoy the written word

There's nothing like a good book to read by the pool or at the beach in summer. *Money*, together with Dymocks, has compiled a selection of nine books that we think would make great summer reading.

And the exciting news is that thanks to Dymocks, one lucky reader will win a copy of each of the nine books.

All the books featured are relatively new – having been released in the past 18 months – and fall into one of three categories: personal finance, business success and fiction.

So whether you want to know more about investing in property or the sharemarket, feel like reading an inspirational success story or want to escape with a crime thriller, then you'll find a book for you in this list. Authors include regular *Money* contributors Ben Kingsley and Bryce Holdaway, Red Balloon founder Naomi Simson and best-selling author Matthew Reilly.

GIVEAWAY
Win the lot

DYMOCKS
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Money and Dymocks are giving one lucky reader the complete set of the nine books featured. To enter, simply tell us your top money-making tip for 2017. Send entries to money@bauer-media.com.au or Top Books, Money magazine, GPO Box 4088, Sydney, NSW 2001. Entries close on February 1, 2017.

PERSONAL FINANCE

THE ARMCHAIR GUIDE TO PROPERTY INVESTING

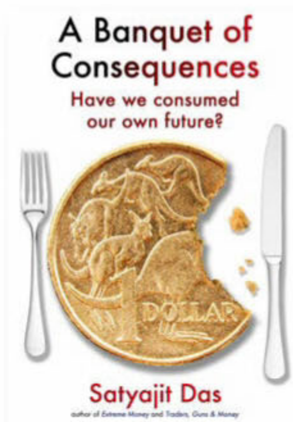
BEN KINGSLEY & BRYCE HOLDAWAY $29.95

Money regulars Kingsley and Holdaway show you how to build a property portfolio that will create $2000 a week in passive income in your retirement. And you'll only need to spend about 10 hours per property a year managing your portfolio.

WARREN BUFFETT'S GROUND RULES

JEREMY MILLER $24.99

At the age of 26, Warren Buffett founded Buffett Partnership Ltd, which lasted from 1956 to 1970. During this time he wrote 33 letters to his small but growing group of partners. He sets out what he termed ground rules that remain startlingly relevant today for every type of investor. This book brings together the key principles and teachings.



A BANQUET OF CONSEQUENCES

SATYAJIT DAS $34.99

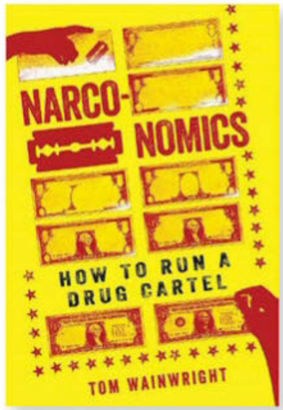
This book outlines the problems confronting us, how we're making those problems worse, and what the real solutions are. For ordinary individuals, the goal of a steady job, a home, a comfortable retirement and a good life for our children is receding. It's not just unrealistic expectations but the poor performance of those governing us that are to blame.

BUSINESS SUCCESS

READY TO SOAR

NAOMI SIMSON $29.99

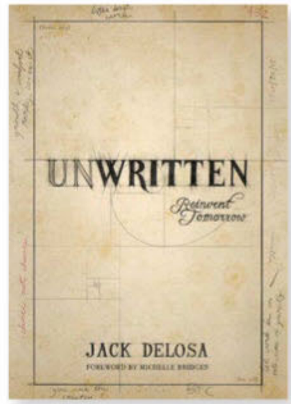
Australian entrepreneur Naomi Simson shows how to develop your brilliant idea into a thriving business. You will learn how to avoid the pitfalls, formulate your ideas and develop your individual road map for success. Simson shares her personal experiences and reveals the all-important questions she wishes people had asked her at the start of her own journey.



NARCONOMICS

TOM WAINWRIGHT $44.99

Everything drug cartels do to survive and prosper they've learnt from big business, and drug lords face the same strategic concerns. Tom Wainwright meets everyone from coca farmers in secret Andean locations, deluded heads of state in presidential palaces, journalists with a price on their head, gang leaders and teenage hitmen on city streets – all in search of the economic truth.

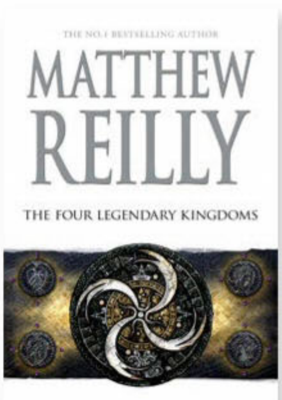


UNWRITTEN

JACK DELOSA $29.99

Through personal reflection and stories of unconventional wisdom, adversity and success, entrepreneur, investor and *BRW* young rich lister Jack Delosa examines what it means to be great, and how we can achieve our life's best work, shape the world around us for good and leave a legacy far more valuable than wealth alone. He shows how to live a life that aligns with your purpose.

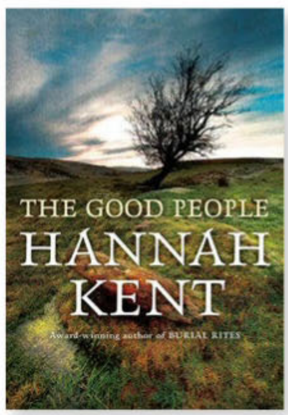
FICTION



THE FOUR LEGENDARY KINGDOMS

MATTHEW REILLY $29.99

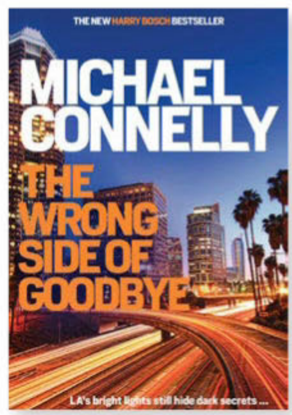
Jack West Jnr and his family are living happily on their remote farm when Jack is brutally kidnapped and he awakes in an underground cell. Jack, it seems, has been chosen to compete in a series of deadly challenges. With the fate of the Earth at stake, he will fight cruel assassins and face unimaginable horrors that will test him.



THE GOOD PEOPLE

HANNAH KENT $24.99

Nóra Leahy has lost her daughter and her husband in the same year, and is now burdened with the care of her four-year-old grandson, Micheál. The boy cannot walk or speak. Unable to care for the child alone, Nóra hires a 14-year-old servant girl, Mary, and together they seek out the only person in the valley who might be able to help Micheál.



THE WRONG SIDE OF GOODBYE

MICHAEL CONNELLY $22.99

Harry Bosch is working as a part-time detective when he gets the invitation to meet ageing billionaire Whitney Vance. When he was 18 Vance had a relationship with a girl but soon after becoming pregnant she disappeared. Vance wants to know what happened to her and whether there is an heir to his fortune.

“Even with only $6 in the bank I still had a lot more than many people”

Kane Guglielmi

Founded a video production business in 2004 which over time grew to produce advertising campaigns for brands such as Sony, McDonald’s, RailCorp and Peter Alexander. He also invested in real estate, buying and renovating numerous properties in the western suburbs of Sydney and the Blue Mountains.

In 2011 (at 23 years of age) Kane was the youngest in Australia directing a network series (*Home and Away*). In late 2015 he sold his masterpiece property in Leura, NSW, to finance his first feature film, *Cooped Up*, a quirky romantic comedy that has just been released worldwide.

What was your first job?

In almost 13 years since leaving high school (I am a dropout) I’ve always worked for myself. It’s been a very difficult 13 years, though. Kids, stay in school!

What’s the best money advice you’ve ever received?

“You can’t take it with you.”

What’s the best investment decision you’ve made?

We’ve seen some success in real estate but, to be specific, I’d say a property we bought and sold in Leura, NSW, was the best decision. It surprised our friends and family but in 12 months we more than doubled its value through renovations. It was a combination of good timing, a clear vision, hard work and, of course, a little bit of luck.

What’s the worst investment decision you’ve made?

Without a doubt, investing in tiny exploration companies on the ASX. The casino may have given me better odds!

What is your favourite thing to splurge on?

Really good Italian or French wines are my indulgence. My wife and I love to travel, too. But now, as parents of a one-year-old, we might have to resort to the wine a little more often.

If you had $10,000 where would you invest it?

I would invest it in my next film project. I have a couple of exciting films in development which all cost a lot of money to produce. Spent wisely, $10,000 can go a long way.

What would you do if you had only $50 left in your bank account?

I have been in this position a couple of times before so I can speak from experience! I recall one time I had about $6 left in my bank account and didn’t know how I’d make the next mortgage repayment. I was driving in my neighbourhood late one winter’s night in the Blue Mountains and saw a guy in shorts who I knew was homeless. He looked freezing. I decided to go to McDonald’s and spend my last dollars on him. To my disappointment when I returned to give him the burger and fries he said to me, “Nah, thanks”, and kept walking! Apparently he wasn’t a Macca’s fan. Funny but true. Despite that experience, I think we Aussies are so lucky that even with $6 in my account I still had a lot more than many people around the world. Being proactive about employment is important but putting others before yourself is something I’ve been challenged on.

Do you intend to leave an inheritance?

Absolutely. As a parent I often think about how I can hopefully bless my kids and others when my time is up. But I really hope I’ll be able to help them along the way, too. In saying that, I also want my kids to work hard and understand true responsibility.

What do you think of the proposed super changes?

I’m no expert on this stuff, I’m just a filmmaker so maybe I’ll stick to what I know. My thinking on super has changed in recent years. Perhaps it’s a bit deep and meaningful but let’s be honest – maybe tomorrow I’ll get hit by a bus. My point being, we just don’t know when our time is up. I do strongly believe in being financially independent and I really hate seeing people like my grandfather struggle on a pension. We live in a time now where there is so much awareness of the future and being financially free. We really have no excuse not to be self-reliant. But I prefer the idea of investing into things that can help my family now and into the future, not just when I’m an old man. If that means I pay a little more tax in the long run, so be it.

Finish this sentence: money makes ...

... the world go round. But if it didn’t, we’d all be a lot happier.

Money

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