

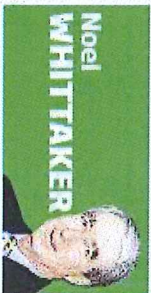
# High cost of good life

FOR three years we have been bombarded with stories of how scary the financial situation has become in the US. Based on the premise that nothing could be as bad as the way it has been described, last month I took holidays there to see for myself.

There was just one problem – every time I leave the country the world seems to fall apart.

When I went to London in 2008 the Dow fell 800 points and BHP shares slumped to \$26. When I went to Europe last year there was volcanic activity in Iceland, an oil spill in the Gulf of Mexico and world markets had their worst May since 1940.

Last month, our dollar crashed the moment I left, and markets were as volatile as I have ever seen them. Thanks to my new best friend, the iPad, I could keep a close eye on what was happening, which was inevitably a boom one day and a bust the next. When the numbers for the September quarter were counted, the Dow Jones was down 12 per cent, the Euro Stoxx 50 down 29.4 per cent and our own



Noel WHITTAKER

ASX 200 down 21 per cent.

Thankfully, there has been some recovery since I returned and it was heartening to see the prediction this week by Fidelity's head of equities, Paul Taylor, that our market may make a new high within three years.

For the short term, he believes it is very realistic to expect Australian market returns of 10-15 per cent over the next 12 months from dividends and earnings growth. Let's hope he's right.

Our travels were confined to the east coast of the US and Canada, but as far as we could see, life was going on as normal. The shops and restaurants were busy and the American obsession with sport, especially baseball and football, was as strong as ever. We saw no evidence of distressed selling, but certainly prices there are much cheaper than Australia.

## ASK THE EXPERT

Send your questions to Noel Whittaker  
noelwhittaker@gmail.com

**Q** My mother-in-law is the sole beneficiary of her daughter's will and when all is settled she will receive approximately \$320,000. She has four sons and wants to distribute the money evenly to all four. Will she have to pay a gift tax? Will the sons' pay tax on the money they receive? My mother-in-law is 73 and receives an aged pension from Centrelink.

**A** THERE is no gift tax in Australia, but if she makes a gift of \$320,000 Centrelink will treat it as a deprived asset for five years and she could lose a hefty chunk of her pension. Make sure you talk to Centrelink to ascertain the full position before any money is given away. The \$320,000 that she received as a bequest will affect her pension in any event so it's really a matter of taking

advice to help her make the best of what she has.

**Q** I AM a 64-year-old retired female. I am selling my investment property, and want to put the \$150,000 profit into my super. Do I still have to pay capital gains tax?

**A** PROVIDED no employer is paying super for you, there is no reason why you cannot contribute money to super and claim up to \$50,000 as a tax deduction. Be aware that deductible contributions lose a 15 per cent contributions tax, so don't put any more in than is necessary to cut or eliminate your CGT. Make sure your adviser does the figures for you and also be aware that it's important to act before June 30 if the sales contract is signed in this financial year.

Everybody we met had a similar opinion about the state of the US political system. They have a Democrat President who is a nice guy but out of his depth, while the Republicans don't have a presidential candidate worth voting for. Given the size of their problems, it is hard to see a quick solution, though there are many individual companies doing very well.

It is particularly difficult to be a retiree in the US. You would be flat out to earn 0.5 per cent interest in the bank, the housing market is on its knees and the share market is so volatile that it frightens the wits out of inexperienced investors. And it would be a brave American who converted their dollars to Australian dollars, just to have a piece of the 6 per cent available here –

they would suffer a big capital loss if the exchange rate goes against them.

Apart from the weather, which was freezing, conditions in Canada are more like Australia. A highly regulated banking system and a resource-based economy have kept them reasonably insulated from the global financial crisis, but it is still possible to take out a five-

## HOT STOCKS

Paul Adams  
D1 Carmichael



Heather Zampatti  
BallPartner Securities



Ian Clarke  
Macquarie Wealth



Luckily, we have one of the highest standards of living in the world, but no longer do I arrive home and remark on how cheap things are here. To the contrary, Australia is now one of the most expensive countries in the world in which to live. I guess that's the price of prosperity.

Noel Whittaker is a co-founder of Whittaker Macnaught. His advice is general in nature and readers should seek their own professional advice before making any financial decisions.