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Weekend Newspaper of the Year

AFR WEEKEND

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DREAM CHANGE

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On the doorstep of **St Helens, Tasmania.** One of our ten top destinations.

AUSTRALIA

We show you how with 10 locations for city escapees that tick all the right boxes.
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OVERSEAS CHANGE

Don't fancy out-of-town Australia? Foreign homes beckon.
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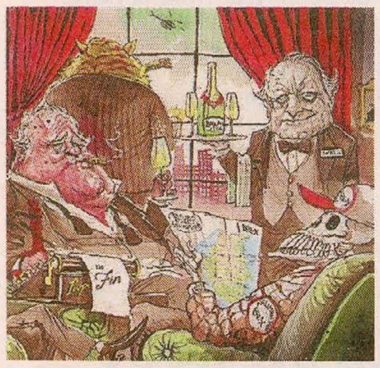

Pip! Pip! Pierpont signs off

Greatest hits and misses from 44 years of keeping business honest
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Savers pour money into super in rush to beat contribution caps

Alice Uribe

Retirement savers are rushing to pad out their superannuation accounts with a surge in voluntary contributions ahead of the June cut-off.

For the months of November and December 2016 combined, the Commonwealth Bank of Australia's wealth arm Colonial First State saw an increase of more than 35 per cent in voluntary contributions, compared to the prior two months (September and October).

The uptick in contributions comes as financial advisers and savers have more clarity about the nature of Treasurer Scott Morrison's superannuation reforms after the changes were finally passed by federal parliament at the end of November last year, said Colonial general manager product and investments Peter Chun. Colonial, one of the nation's largest managers of retirement savings, saw a near 20 per cent increase in voluntary contributions for the month of November 2016 compared with November 2015. The analysis also revealed a 25 per cent uptick in voluntary contributions between October and November 2016.

Colonial has over one million members and administers $115 billion of assets. The figures come from data covering its total member base.

"Many of our customers were waiting for the legislation to be passed because there was still some uncertainty. Some planners were also holding of advising clients until they knew it was enshrined in law," Mr Chun said.

"It is not a coincidence that since the legislation was passed in November that we have seen this spike in contributions in both November and December, and were expecting that to continue up to 30 June."

Mr Chun said that while the reforms had "pared back" some of the more favourable tax settings, the retirement system remained tax effective.

"Hence the advisers are telling their

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Consider whether an entitlement to claim capital gains tax relief on certain investments is worth pursuing.
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Overseas change: going abroad to find perfect home

Foreign fields Sky-high house prices have buyers looking elsewhere.

Michael Bleby

It started in Queenstown with a marathon. In 2014 Sydneysiders Chris and Jamie Seymour were running a race in the southern New Zealand town when they found themselves buying a plot of land to build a house.

It wasn't an accidental purchase – the couple chose the site 15 minutes outside of Queenstown after looking at areas such as the NSW central coast – but the fast-rising NZ housing market made them decide to build on it sooner than they had anticipated.

Next month the US-born IT manager Chris and health consultant Jamie expect to complete their holiday (and eventual retirement) house with unobstructed lake and mountain views.

The naturalised Australians have lived in Sydney for seven years and rent in Coogee, in the city's eastern suburbs. The decision to spend $NZ1.3 million for a house and land across the ditch was a no-brainer, Chris says.

"It just felt that we would be able to get a lot more mileage for our money," he says. "We're going to build a four-bedroom ski chalet for less than what it would cost to buy a one- or two-bedroom unit here in the eastern suburbs of Sydney."

Australia's housing affordability crisis is prompting many people to reconsider the traditional idea of home ownership. With housing prices surging relative to incomes, a growing number of people is looking elsewhere.

And it's not just the very wealthy.

More than one-third of respondents to a consumer survey by real estate portal REA Group last year said they were considering or would consider buying overseas. The US, NZ and UK topped the list of destinations. And more than half said they would consider spending $500,000 or less.

"It's not just the uber-wealthy who are looking at buying overseas," REA Group economist Nerida Conisbee says. "People are curious as to what they can buy."

In Australia, where the median home price ranged from $845,000 in Sydney to $336,000 in Hobart in November, prices are high globally.

Figures compiled by global agency Savills for *The Australian Financial Review* show that other countries offer a stronger bang for the real estate buck than Australia. Spending about $800,000 would secure a one-bedroom apartment in London's Southgate or a two-bedroom apartment in New York's Upper East Side. A two-bedroom apartment in Singapore's Jurong West would cost about $481,000, while a two-bedroom apartment in Mumbai's Wadala would go for about $349,000.

For people such as Seymour, who owned property in the US prior to moving to Australia, Sydney prices were worryingly high.

"We just didn't have a good feeling about buying into Sydney at the prices it was," he says. "We lived in LA prior to the global financial crisis, so we had some deja vu feelings about how the Sydney market just seems to be very, very hot and maybe overinflated."

'It's not just the uber-wealthy who are looking at buying overseas.'
Nerida Conisbee, REA Group economist

The red-hot property market on Australia's east coast isn't fuelled by a low-doc credit boom of the sort that led to the catastrophic collapse of the US market portrayed in movies such as *The Big Short*. Further, there are already signs the construction industry, buoyed by record numbers of new apartments in recent years, is already paring back production in anticipation of a weaker market, which should help stave off a price collapse.

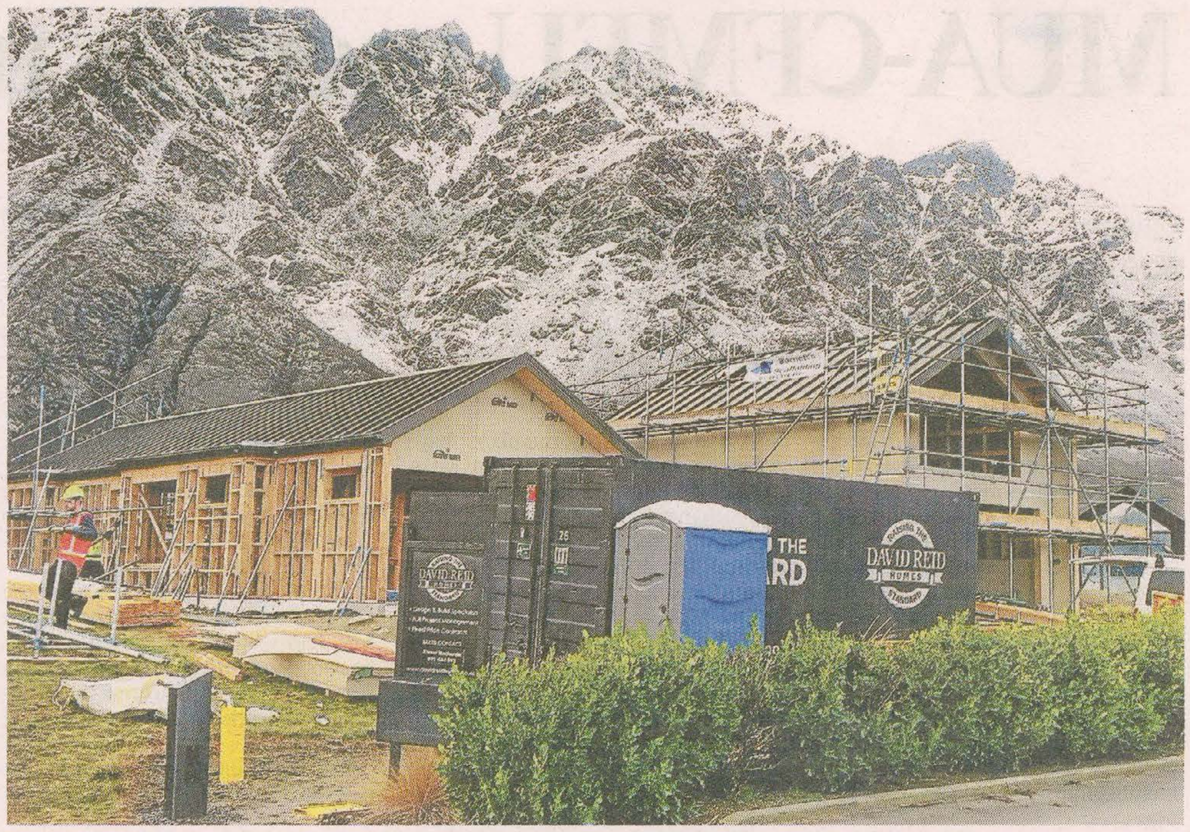
Price wasn't the only thing putting the Seymours off. Having sold the property they owned in the US, they realised that to get something in Australia they wanted to eventually live out their years in would require substantial investment.

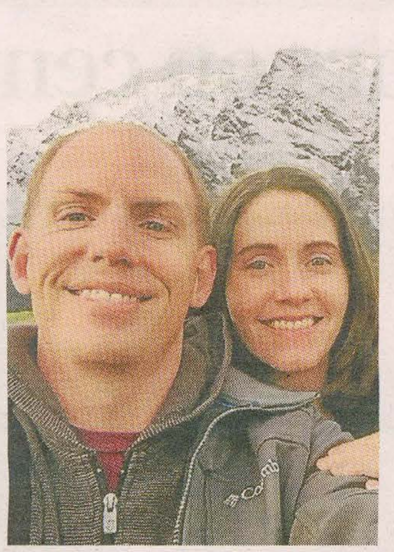
"Once you've spent $1 million to get something you've got to spend another 400 grand or more to fix it up," he says.

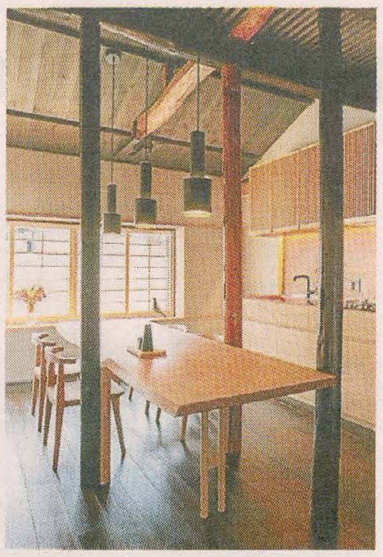
The attraction of the New Zealand market has been noticed by a lot of people, says Mary O'Brien, a Sydney-based broker who arranges mortgages with NZ banks for Australian buyers of Kiwi property. One of the biggest sources of demand, she says, is Kiwis returning home in the wake of the resources slowdown.

Cheaper air travel also helps. Luke Hayward, an Australian architect who renovates local homes for foreign buyers in Kyoto in Japan, says there is a growing market in the Airbnb age of travellers – particularly repeat ones – from countries such as Australia and Europe keen to stay in a home rather than a hotel.

In Sydney, Seymour is planning his next trip to Queenstown to coincide with another marathon. This time, however, he wants to use the chance to buy furniture for their completed house. "There's a marathon in February that I've got my eyes on just outside Queenstown," he says. "I'm saying 'We should go and fit out the house, make sure all the furniture is right' and I'll just happen to run a race while we're there as well'."







Sydneysiders Chris and Jamie Seymour (above) are building a three-bedroom house just outside Queenstown (top), while Japan also offers great workmanship.

A growing yen for Japan

Want a second home in Japan? You can get one in the ancient capital city of Kyoto for under $400,000.

Japan isn't on the list of top destinations Australians dream about buying property in, but that may change.

Osaka-based architect Luke Hayward last year completed a home he purchased for a Brisbane couple at a cost of about $5000 per sq m. The couple, in their 50s, had visited Japan every year for the past decade and wanted a base they could use for future visits. Hayward purchased the site, designed a renovation for the double-storey postwar house in the suburb of Ichijoji – about 10 minutes from the centre of town by car – and then oversaw the house's redevelopment.

At 55 sq m, the house with one-bedroom and living area that can be closed off to form a second bedroom, is equivalent to a small apartment, but the small size of Japanese plots combined with the stagnation of prices since the bubble burst in the 1980s, makes it affordable for foreigners willing to renovate, Hayward says. A renovation costs up to about 30 million yen ($356,000) before tax and consultants' fees. "To think you can come to Japan and pick up something that is pretty run down, but is a home, spend a bit of money to have some quite good work done on it in terms of craftsmanship and end up with a nice outcome, it's pretty exciting," he says.

From page 1

Super contributions spike to beat caps

clients to take advantage of this current financial year if they wish to access more favourable limits," he said.

Sunsuper, one of Australia's largest industry superannuation funds, managing $38 billion on behalf of 1 million members, has also seen an increase in inflows.

However, another large industry superannuation fund, REST, which has 1.9 million members, said that it has not seen any changes since the reforms were passed.

The key changes that take effect on July 1 are the imposition of a $1.6 million ceiling on the amount of money that can be held in tax-free super pensions, lowering the annual pre-tax contributions limit to $25,000 from $30,000 or $35,000 depending on a superannuant's age and the imposition of a 15 per cent earnings tax on transition to retirement (TTR) pensions.

There will be no restrictions on receiving tax deductions for personal contributions and from July 2018, savers will be able to make catch-up contributions on a rolling five-year basis for unused concessional contributions.

Under the current rules, savers can inject $180,000 of post-tax money into super this year, or they can utilise the so-called bring-forward rule and pump in up to $540,000.

A couple can inject up to $1.08 million, although they will not be allowed to make any further non-concessional contributions for the following two years. It is this reform that has caught the eye of some in the investment and advice community.

Colin Lewis, the head of strategic advice at Perpetual Private warned super savers to heed to lessons learnt during 2006's Simpler Super reforms brought in by then treasurer Peter Costello.

Prior to the sweeping changes being enacted from 1 July 2007 there was a 13-month "window" where could savers make an undeducted (after-tax) $1 million contribution into super.

"You saw a lot of people selling out of real property and putting the money into the super system and then we had the GFC in 2008," he said.

Mr Lewis said those investing money into their super with the $540,000 bring-forward rule in mind should ensure that it is suitable for their circumstances.

"If you have cash sitting around then of course, but the question with real property is, is it the correct thing to be doing?

"Ten years ago we saw people driven by this 'million dollar opportunity' and people were making decisions on the back of the super changes, and then we had the GFC and it ended in tears."

Accountancy firm Pitcher Partners said it had seen instances of super investors trying to "to maximise contributions".

"Anecdotally there have been a few people looking at whether they sell property before the end of the financial year to take advantage of the strong property markets and put that into super," Pitcher Partners director wealth management David Lane said.

Sunsuper said it is actively engaging members to help them understand the legal changes and make contribution advice with their best interest in mind.

"People also need to be proactive, so seeking advice is a good way to know what suits them in line with laws to date," general manager advice and retail distribution Anne Fuchs said.

"With the annual limit for non-concessional contributions going down to $100,000 from $180,000 this is a significant reduction for people nearing retirement who want to catch up, and particularly for females who have had a broken work pattern," he said.

"These limits really bite into the ability to save consciously for retirement. Hence if they are able to put more money in this financial year, they can take advantage of the limit."

Pitcher Partners said even though its clients base, which is made up of a large number of self-managed superannuation fund owners, had accepted that the changes were now inevitable, there remained concern over how to effectively plan their retirements.

"A lot of our existing clients are grappling with the changes, particularly with reference to the $1.6 million cap and how they structure their investments in that perspective," Mr Lane said. "We are in the relatively lucky position of having a lot of clients who have above $1.6 million. But from our perspective I question the government's figures of how many people that impacts because it I think it impacts a lot more people than what were originally led to believe."

But Mr Chun said the non-concessional tax changes were an attempt by the government to not favour wealthy Australians, and he insists that superannuation remains the best vehicle for retirement.

Mr Dale said Pitcher Partners had seen a similar trend and anticipated a busy first half of 2017.

"We definitely think that the next six months are going to be very busy as far as superannuation investment advice is concerned. It's not necessarily good for the clients, but it certainly is a bit of a boon for financial advisers".