

FLOAT  
WATCH

## Seafood and dairy a tasty mixture

**Beston Global Food Company**

ASX CODE: BFC  
SHARES ON OFFER: 371.4 million  
LISTING PRICE: 35c  
MARKET  
CAPITALISATION: \$157.1 million  
LISTING DATE: August 24

TIM MORRIS

After 10 years of negotiation, a historic free trade agreement between Australia and China was signed in June. The agreement is scheduled to render 95 per cent of Australian exports to China tariff-free. Under the previous regimen, dairy and animal products were subject to tariffs of up to 30 per cent, and manufactured goods up to 14 per cent.

While sugar, rice, wool, cotton, wheat, maize or canola are excluded, the agreement has the potential to reverse a decade of stagnation in Australia's major primary rural industries. After livestock and cereals, dairy is Australia's third-largest agribusiness sector. However after doubling during the preceding 20 years, national milk production currently stands 15 per cent below its 2000 peak.

A similar contraction has been witnessed in the nation's fisheries, which has seen Australia switch from a net export position to a net importer in the past decade.

The forthcoming listing of Beston Global Food Company could reverse the trend and capitalise on recent trade liberalisation. The company has assembled a portfolio of interests in dairy and seafood businesses in southern Australia. The ambition is to develop a vertically integrated branded food enterprise focused on export markets, and to build on established marketing partnerships in China, Thailand, Brunei and Vietnam.

Proceeds from Beston Food Co's IPO are scheduled to broaden its investment portfolio and provide expansion capital to existing investees.

To date the company has acquired interests in Ferguson Australia, a third-generation seafood enterprise principally focused on southern Rock Lobster exports, as well as B.-d. Farm Paris Creek, a 20-year-old integrated dairy producer near Adelaide. Incentive for new investors is the potential value growth from integration of these assets with other stand-alone farms and processing facilities. Multiple acquisitions have been lined up to support the IPO and strategic plan.

Boosting the allure is a projected 1.5c-2c dividend, but here are no forecasts. The principal risks concern Beston's limited operating history and low earnings visibility.

Tim Morris is an analyst at wiseowl.com.

New, tighter rules have hit Australian-based residents

ANDREW MAIN



A crackdown by the British tax office on super fund members outside Britain getting early access to their super appears to have claimed hundreds and possibly even thousands of British expatriates in Australia as collateral victims.

As from May of this year, Her Majesty's Revenue & Customs, or HMRC, has declared that any British saver who wants to transfer their super to an Australian fund must make sure it qualifies to fit the tighter British rules on early withdrawal which, for instance, don't allow early access even in the case of proved financial hardship.

There used to be some 500 Australian super funds qualifying for tax-free transfer of assets by British expats but the new category of QROPS, or Qualifying Recognised Overseas Pension Schemes, was recently published by HMRC and contained the name of just one Australian fund, UniSuper.

And even UniSuper doesn't believe it qualifies. That fund picked up a lot of sun-starved British academics when they decided to desert the Old Dart and has for a long time been the most likely target for expat retirement funds but the UniSuper website now says that as from April 5 this year, it no longer qualified as a QROPS fund.

The fund's chief executive, Kevin O'Sullivan, told *The Australian* that "UniSuper is obviously



British Prime Minister David Cameron's re-elected government has tightened its rules on pensions

AFP

keen to support its globally mobile membership. The issue around QROPS qualification is an industry-wide issue and UniSuper is working with Treasury and through peak bodies to develop a solution."

Another list says the only exception in Australia is LG Super,

the Local Government Superannuation Scheme, for the very simple reason that as a government scheme it is exempt from the new tougher HMRC rules.

But any British expat hoping to transfer their hard-earned to an Australian super fund looks set to suffer at least a delay, quite poss-

ibly a refusal and, perhaps worst of all, a tax demand as the re-elected Conservative government led by David Cameron reviews key aspects of Britain's pension sector.

The penalty for British expats moving their pension to a nonconforming fund offshore is a tax rate of 55 per cent on the total.

The absurdity in all this is that the incidence of miscreants in Australia fiddling early access to their super is actually very limited, and has historically been limited to spivvy local firms posting adverts offering the lure of early super access to blue-collar workers in need of cash.

For the record, the maximum limit of early withdrawal from our super system, in "proved genuine hardship cases" is \$10,000.

Andrew Heaven, a Sydney financial adviser who writes "The Coach" column in *The Weekend Australian*, said Australia appeared to have become collateral

'It's penalising people who I'm sure have no intention of rorting the system'

BLAKE BRIGGS  
FINANCIAL SERVICES COUNCIL

damage from a crackdown aimed elsewhere.

Heaven says that to qualify for the new standard with the British tax office, an Australian superannuation fund is effectively compelled to draw up a new subset of preserved benefit funds with a tougher set of rules regarding early access by members, in order to qualify for tax-free transfer from Britain.

"The trustee then has to declare that the fund complies with British regulation, but it's a process that requires a fair amount of time and expense," he says.

Some reports say British tax authorities don't even give legal weight to the modified trust deeds even if the funds go to the trouble of creating them. The explanation is that the schemes will still be obliged by Australia law to make payouts to super fund members under 55.

"If you were a cynic you would say it's an attempt by the British authorities to stop people migrating their pensions offshore. Meanwhile my clients are in limbo," says Heaven.

Blake Briggs, senior superannuation policy manager at the Financial Services Council, says: "We'd like this issue to be sorted out as soon as possible because it's penalising people who I'm sure have no intention of rorting the system."

"They're doing it because they've moved to Australia and they quite reasonably want their superannuation savings to come with them."

"We expect this is a technical issue that can be resolved quickly."

## Plan carefully for a comfortable retirement

TONY NEGLINE



Understanding the basics of providing for your retirement will prevent a lot of heartache.

The key issues are:

- While working, your main asset is your ability to earn an income.

- Before retirement you need to estimate your living expenses with great accuracy.

- Once retired, the income that will pay for your lifestyle has to come from either your investments or another source such as the aged pension.

- Your primary investment focus during retirement has to be on earning income from your investments and the income has to increase each year at least as fast as the consumer inflation rate, to protect your lifestyle.

- Ideally you should always hold the next two to three years of future income needs in cash.

Some investment professionals disagree with these views

for a number of reasons. One argument against this approach says there's no difference between increases in the value of an asset and the income that the asset pays. Their argument compares share A which has a yield of 6 per cent and share price growth of 2 per cent while share B has the exact opposite outcome. That is, price growth of 6 per cent and a yield of 2 per cent. Clearly both have a total return of 8 per cent.

Those who disagree with me say that preferring share A (the high yield) because it produces more income could create two problems. One negative is that the dividend income paid might be too high; another is that the timing of its payment might not match a retiree's spending plans, which could mean that an investment decision would have to be made about any excess investment income. In addition, they say, as both shares produce the same final net return, it shouldn't matter which one you purchase because share trading costs are low.

Unfortunately, this analysis misses some very important points about solving the retirement income puzzle. To my mind there are four outstanding features of a successful retirement income plan:

- First, the market value of all assets fluctuates constantly and unpredictably. This means if a retiree has to sell shares to pay for living expenses they'll have no certainty about the price they will receive. Consequently, by selecting share B you would never be sure any asset disposals would cover your income needs.

- Second, a retiree should think carefully about selecting investments that will be used to deliver long-term retirement income based solely on returns over just one period. Appropriate research needs to be conducted to see if a share has successfully delivered inflation-linked dividends over the medium to long-term and what the company's board intends to do with future profits.

- Third, matching the timing of investment income receipts with income needs isn't difficult and is solved by holding two to three years' worth of future income in cash at all times.

- Fourth, determining the suitability of an investment by using the yield calculation is unsatisfactory.

This calculation takes investment income and divides it by the market price of that investment. The result of this calculation changes as often as a market price change. Retirees should care-

fully examine the history of actual income paid and not rely on misleading percentages.

Some see a weakness in my focus on income generation of investments because it means the market value of the underlying investments is less relevant.

They argue that a retiree's ability to provide for discretionary spending, aged care admission and bequests is less certain. I'm a little confused with this point because this problem isn't unique to my preferred retirement income approach. As the market value of assets constantly fluctuates for all investors then obviously all retirees are going to have these problems.

Another anti-income focus argument is that it could be pursued in a SMSF but not in a large super fund which pools assets among many members. In these large funds they typically run prescribed cash targets, so most dividends are quickly reinvested and not set aside for pension income payments. This is a good point and one that retirees should factor into their decision-making when working out what vehicle they'll use to provide their retirement income.

Tony Negline is author of *The Essential SMSF Guide 2015/1*

## Silly rule penalises the grieving

MONICA RULE



Some things in life are not easy and some things don't make much sense. Unfortunately, superannuation often falls into both categories at times.

Take the situation where a husband and wife have established a self-managed superannuation fund.

After many years of managing their SMSF successfully and accumulating significant wealth in their SMSF, the husband passes away.

Under the superannuation law, the death triggers a compulsory payment situation where the deceased member's superannuation savings must be paid from the SMSF as a lump sum death benefit or a pension. If the deceased member was in receipt of a reversionary pension prior to his death, then the pension will automatically revert to his nominated dependent.

Let's assume in this example

that a lump sum death benefit is required to be paid, as both members were in an accumulation phase and their SMSF's trust deed does not allow for payment of a pension. The wife does not need the lump sum death benefit payment as she has enough income without it. She would rather the money be retained in the SMSF. In fact if the lump sum payment is made to her, she would simply contribute the money back into the SMSF. So the wife, with the agreement of her accountant, records journal entries in the SMSF's financial accounts which show a lump sum death benefit was paid to her and then was contributed back into the SMSF.

Now there was no problem in the wife being able to put the money back, as in this case she hasn't exceeded her contributions caps and she also met the work test in order to make contributions into her SMSF. So what is the problem, you may ask?

Well the superannuation law requires the death benefit payment to be "cashed". This means it must be paid out of the SMSF either as a cash payment or an in-specie payment using assets of the SMSF. If assets need to be sold to fund the cash payment, then that is what must be done. Then once it is paid, it can then be contributed

back into the SMSF if the recipient wishes to do this. The law stipulates that you cannot simply make a journal entry without physically making the payment.

In addition to this, under the income tax law, a death benefit paid to a dependant is tax-free. As no actual payment was made, the death benefit will not be regarded as having been received by the wife so she will not be eligible to receive the tax exemption.

The ATO has recently issued two publications, AVOID 2015/2 and 2015/3, that address this issue. In these documents, the ATO explains that cashing involves an SMSF making a payment which reduces the member's benefits in the SMSF. A journal entry to reduce the deceased's member account would not amount to cashing, and therefore, would not satisfy the law.

So, in order to comply with the superannuation law, a lump sum death benefit must be paid out. Otherwise the SMSF trustee would have contravened the law. It's a silly law and one that doesn't make much sense to those who are already grieving the loss of a loved one.

Monica Rule is an SMSF Specialist and author  
[www.monicarule.com.au](http://www.monicarule.com.au)

## BRENT HARVEY 'THE 400 CLUB' SIGNED LITHOGRAPH

Official Memorabilia is proud to offer 'The 400 Club', commemorating Brent Harvey's extraordinary achievement of longevity and brilliance at the highest level.

- > Pays tribute to Brent Harvey's amazing 400-game milestone
- > Personally signed by Kangaroos champion Brent Harvey
- > Features images and commentary from each of Harvey two decades at the highest level
- > Includes a replica Premiership Medal in honour of his 1999 triumph

- > Limited to 129 editions worldwide
- > Presented in a deluxe timber frame
- > Officially licensed by the Australian Football League
- > Authenticated by the AFL Players' Association
- > Accompanied by an individually numbered Certificate of Authenticity
- > Approximate framed dimensions 1000 x 750 mm

To order call 1300 676 020 or visit [www.officialmemorabilia.com.au](http://www.officialmemorabilia.com.au)

THE AUSTRALIAN

Reader Offer from **Official Memorabilia**

