

Straight talk from one of the nation's top financial analysts and humbug detectors



DEBTMAN

with **Bruce Brammall**

Don't go broke trying to save

I'm loyal to those who are important to me. Generally, that's family, friends, staff and clients. Those who deserve it, or have earned it.

When it comes to big corporations, not so much. Unless they treat me right. Or, perhaps, don't offend me too much.

Loyal to a beer brand? Nope. I love a beer, but I'm a beer slut and I share the love around. Cars? Not really. I grew up a die-hard Holden boy, when Peter Brock dominated Bathurst. But I've owned a few Fords.

Banks? It's so hard to change, so I just screw my bank for a better deal every few years.

To where I shop? Certainly not. Shopping is a mixture of convenience and time. If I've got time, or will spend enough to make the savings worthwhile, I'll go out of my way a few kilometres.

Woolworths recently rejigged their loyalty scheme. Seems the old program was a stinker. The new one, apparently, should be nearly twice as good as Coles.

But Mrs DebtMan swears if she drives straight past our local Woolies, an extra five minutes to Coles, she'll save about \$100 on the main weekly shop.

That's just where we live. And no loyalty program will beat that.

Years ago, my bank slashed the rewards per dollar spent on my credit card. More recently, they tried, but failed, to lure me into a new card, with a \$300 annual fee, so I could score more points. The cheeky buggers just sent it to me and told me to call a number if I wanted to activate it!

So, given my lack of loyalty, should I be a member of customer loyalty programs?

Yes. Absolutely.

Because I am going to shop. And if I'm going to do that, I might as well pick up some points along the way.

And that is the point, peeps.

Loyalty programs are, largely, only worthwhile if you pick up points doing what you were going to do anyway. This way, if the programs don't cost you anything to join, and you're not going out of your way (such as spending more on petrol), you are scoring free rewards.

If your "normal" behaviour is converted into the occasional flight, shopping vouchers, or whatever, then you are getting something for nothing.

Going out of your way to score loyalty points, or spending more money than you normally would have, never makes sense.

And, I'm sorry, but anyone who buys coffee where the coffee is stinking bad, just to get their 15th awful cup of coffee free, should not be considered "loyal".

They should only be considered an idiot. Their consumer choice hasn't been removed. But a lobotomy would remove something they're not currently using.

In my wallet, I've got cards for half a dozen loyalty programs. At home, there's probably another dozen that can't fit into my wallet. Unless I want to lean to the left every time I sit down.

Only one, I believe, I've ever paid anything for. That was earned back on the first purchase.

The credit cards have airline miles. I've got both major grocery chains, a golf store card, and, while I have found no financial benefit to it yet, one of the booze giants too.

I spend a bit of money in these shops. I'm going to anyway.

And every now and then, via a combination of credit cards and loyalty programs, we score free flights on a family holiday (though the blasted taxes sting) or vouchers to make the next weekly shop for Mrs DebtMan a little less painful.

Loyalty programs are, on average, roughly worth around half to one per cent of the purchase value. Spend \$200 and you'll get around \$1 to \$2 of rewards.

If a loyalty program causes you to put money on a credit card that you can't repay at the end of the month ... and you're paying 18 per cent interest on that card to earn less than 1 per cent in rewards, then you've been sucked in.

If you chew up \$10 in petrol driving half way across town, to get \$3 worth of rewards, when you could have bought for the same price locally ... come in spinner!

The big boys built reward programs to buy your loyalty. But you'll be much smarter if you take their money and continue to tart yourself around.

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DIY SUPER

with **Monica Rule**



The great thing about being a small business owner with a self-managed superannuation fund is that you can transfer your business premises into it. You might also be eligible for generous capital gains tax concessions.

To qualify as a small business, your business turnover must be less than \$2 million or the net asset value must not exceed \$6 million. Secondly, the business property must meet the active-asset test.

To meet the active-asset test, the business property must be owned for 15 years or less and be active for a total of at least half the period from the acquisition date to the date of transfer or the date the business ceased (if the transfer occurred within 12 months after the business ceased).

If the property is owned for more than 15 years then it needs to be active for a total of at least seven.

If the transfer occurs more than 12 months after the business ceases, then the active asset period ends when the transfer occurs or when the business ceased if the commissioner of taxation grants an extension of time.

The business property does not need to be continuously active for the above periods as long as the active periods add up to the minimum periods. It also does not need to be active at the time of transfer as long as it is held ready for use in the business.

However, it does need to be in a state of preparedness for use in the business and functionally oper-

Platinum asset on growth path

YIELDHUNTER

with **Patrick Taylor**

While platinum as a metal is revered for its stability and inert durability, this cannot all be applied to its namesake Platinum Asset Management (PTM).

The fund manager and investor in Australian and international equities listed on the Australian Securities Exchange in May 2007, reaching a peak of \$9.11 before the carnage of the global financial crisis saw its value plummet to a raw-knuckled low of \$2.60 a year later.

With that in mind and now that it is testing its initial post-initial public offering highs, we can applaud its durability if not its stability in the time between. Volatility is a good thing when applied to an uptrend and with strong performance amongst sector peers and technical signs lining up well, we believe the road for Platinum may yet be paved with gold.

While the chart for PTM could serve as a definitive argument against efficient market theory, the track history is fairly typical for the brutalities meted in the GFC.

Many companies are yet to achieve their pre-GFC peaks and yet PTM managed to enjoy a taste of blue sky in March.

We think they are headed back to their highs and that those levels will form a natural target for the stock that has been staging a dazzling recovery since 2009.

Capable of putting in strong ral-

For example ...

Your business use of the property's area is considerably less than the total area of the property. However, your business contributes to the majority of the income generated by the property in a number of the relevant years and there is never a year that the rental income exceeds the business income. Therefore, as the business uses a proportion of the space and that proportion of the property produces the majority of the total income, it is considered that the main use of the property is not to derive rent. The property is therefore an active asset.



IT CANNOT BE AN ACTIVE ASSET IF ITS MAIN USE IS TO DERIVE RENT.

active. It cannot be construction.

Active assets are things such as real estate, equipment, machinery, goodwill, mining rights, intellectual property, or government licences. Passive assets are things such as shares, rent, loans, interests in trusts, annuities, royalties, and foreign exchange gains.

If a property has mixed uses, where part of the property is used in their business and part is leased, it cannot be an active asset if its main use is to derive rent.

The Tax Office's publication TD 2006/78 provides guidance in determining whether the main use of a

property is to derive rent. All uses of a property are considered in determining what the main use of the property is and whether it is an active asset.

However, personal use of the property by the property owner, or by an individual who is their affiliate, is not considered.

As a rule, if more than 50 per cent of the property area was used in your business and more than 60 per cent of the total income was generated from your business activity, then because a majority of both the property area used and income generated were from your business activities, it is considered that the main use of the property was not to derive rent during the mixed-use period so it is an active asset.

Monica Rule is an SMSF specialist and author of *The Self Managed Super Handbook* and *SMSFs and Properties*.
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PLATINUM ASSET MANAGEMENT LIMITED (PTM)

Classification: Investment Fund Manager

Current Price: \$7.56

Market Capitalisation: \$4.4B

Forecast EPS Growth: 7.6%

Gross Yield: 5.2%

Consensus Price Target: \$7.68

Covering Analysts: 10

Discount at Current Price: 2%

Price Target Trend: Increasing

Signal Time Frame: Medium (Weekly)

Short (Daily)

Trend Bias: Up (Weekly) (Daily)

INDICATORS

Short-term: Positive Neutral

Medium-term: Positive

Long-term: Neutral

Recommendation: Buy

SET UP NOTES

- After reaching a new post-GFC high in March the stock entered into a medium-term consolidation which has had some negative momentum roll over from the longer-term.
- That seems to be reversing with PTM trading through strong structural and dynamic resistance between \$7.00 and \$7.50, this will now be support.
- Positive momentum carrying through in the short/medium-term and fits with our preferred timeframe right now.
- Momentum is positive across the major timeframes and rolling through nicely off of dynamic support.
- Strong support at \$10 and a bit extra behind at \$9.50.
- Should expect a small bounce back from \$10.50 on the way to the top.

lies and with an especially strong correlation to the medium-term we believe the recent buy signal coupled with the breakthrough of strong resistance between \$7 and \$7.50 provides a technical argument to buy this current rally as it begins to unfold.

PTM has a yield of more than 5 per cent, with increases forecast, which should put it squarely in the sights of many yield hunters.

Needing only 3.5 per cent in capital returns to meet our benchmark target of 8.7 per cent, the current consensus target of \$7.68 gets us another 2 percentage points closer but from here we believe the true target should be much higher.

To back that we have forecast earnings growth looking steady with increasing book value and cash flow supporting the gradually

increasing valuation and newly rising consensus price targets that we expect to keep rising.

With PTM in a leading sector, showing strong price performance and holding a favourable income profile, we think the stock is showing its mettle.

Couple that with good technical signals and robust fundamentals we are happy to back PTM as a great prospect to beat the benchmark.

Lastly, with the chief executive's family owning 53 per cent of the company, if you like stocks where management have skin in the game Platinum has a distinct silver lining.

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