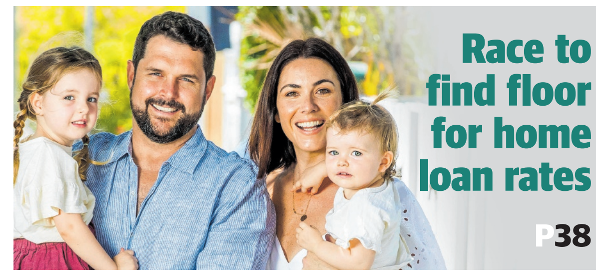


P38

US bucks stop here

Payout options for foreign shares

NICK BRUINING

Like thousands of other former Alinta Gas shareholders, Gwelup retiree Mark See regularly receives a dividend cheque from the New York-based Brookfield Infrastructure Partners.

Typically ranging from just a few cents up to $US50, the next cheque will join the other 59 Mr See has collected over the past seven years. That's because it's too expensive to cash the cheques — made out in US dollars — in Australia.

Fortunately, there is a way to collect his accumulated dividends and receive a handy payout in time for Christmas.

To cash the cheque, Mr See's bank will charge a $25 deposit fee and take a clip on the exchange rate when it's converted to Australian dollars.

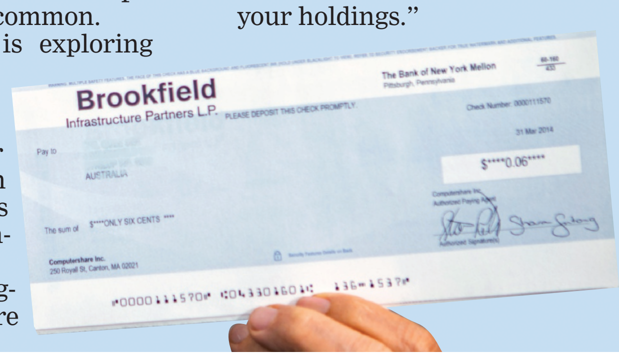
"It's ridiculous. Most of the time, I'll end up owing the bank money to deposit the cheque, so it's just easier to throw it in the drawer with the others," Mr See said.

He receives the cheques after originally investing in Alinta Gas when it floated in 2000. Alinta was spun out of the then-State Energy Commission. Over the next few years, Alinta acquired various assets but in 2007, under a controversial management buyout scheme, it was taken over by a consortium of investors. One of these, fund manager Babcock and Brown, subsequently went into liquidation following the global financial crisis. Brookfield eventually bought the infrastructure assets and exchanged the investments for shares in Brookfield Infrastructure Partners.

Out of all of this, Mr See's original 2000 Alinta Gas shares have now become 27 shares in Brookfield Infrastructure Partners — currently worth about $US51 a share, or nearly $1900.

A Brookfield spokesman said issues surrounding foreign takeovers were complicated but not uncommon.

Brookfield is exploring other options for Australian shareholders but, for now, they can make changes through Computershare, which manages the share registry in Australia. "This includes electing to receive their dividend cheques in Australian dollars, investing in the Brookfield Infrastructure Partners dividend reinvestment plan to eliminate cheques, or selling their shares," the spokesman said.



Phil George, a stockbroker with Entrust Private Wealth, said one solution for Mr See, and others like him, was to open a special international share-trading account with an attached foreign currency bank account. These accounts can usually deal in a number of foreign currencies at the same time.

"Once that is set up, you contact Brookfield and ask them to back pay the accumulated dividends into the US dollar account," Mr George said.

"You could then continue to receive the dividends or sell your holdings."

Total set-up costs and the brokerage to sell a small parcel of shares like this would be about $200.

A cheaper option might be to use an online stockbroker.

Most online brokers have access to international share markets and will charge brokerage and foreign exchange fees. While you might not get back the missed dividends, you will at least reduce the amount of mail you receive. Bear in mind that there could be a capital gains tax liability when you offload your shares.

At the issue date in early December 2010, the share price was roughly $US11 a share. At $US51 a share today, and because they have been held for more than 12 months, half of the profit would be converted to Australian dollars and added to your other income in the year the shares are sold.

For someone that owns the same number of shares as Mr See, the sale could see an extra $750 added to his income for this year. Depending on their other income, that might generate a tax liability.

A final option might be to donate your holdings to a charity that accepts shares but that becomes complicated with overseas-listed shares.

Old system is not quite so super any more

NEALE PRIOR

The retirement incomes review released on Friday will give Josh Frydenberg and his right-flankers the excuse they need to kill the increase in the compulsory super rate.

And Labor, its lefty union backers and the industry superannuation lobby group will howl to the moon about yet another broken Coalition promise to lift the employer contribution rate from 9.5 per cent to 12 per cent.

Rather than these perpetual rewrites of a decade-old argument, we need some serious rethinking of a compulsory superannuation system devised almost four decades ago when Australia was facing a blow-out in age pension costs.

Paul Keating's system has done a brilliant job of building healthy retirement nest eggs for middle and high income earners born towards the end of the baby boom or later.

It has also become a glorious structure for high income earners and keen savers to share their wealth among family members while saving shedloads of tax.

For all that is good, this system is inequitable.

It compulsorily injects more than $12,900 after tax into the retirement savings of someone paid $160,000 a year, but less than $4800 into the nest egg of someone earning $60,000.

And there is an awful gap in the retirement balances of men and women, partly because of lower average incomes but also because women have working lives interrupted by giving birth, raising children and caring for families.

The report released on Friday estimates the retirement savings gap between men and woman is about 17.4 per cent, blowing out to almost 33 per cent for part-time and casual workers.

The report also found female retirees are slower than males to draw down their super balances.

Women entering retirement are far more likely than men to be reliant on the age pension to have a half-decent retirement lifestyle.

It is wrong that one of the greatest tax lurks ever invented is so heavily biased to just under half of humanity.

The imbalances need to be addressed before we lift to $24,000 the compulsory super for someone earning $200,000.

Small self-managed funds now a viable option

NEALE PRIOR

A new report commissioned by the peak group for self-managed superannuation advisers claims DIY savings schemes can be cheaper than industry and retail funds with balances as little as $100,000.

The report by actuaries Rice Warner challenges warnings about the viability of funds with balances of under $500,000. It claims funds with balances of $100,000 to $150,000 can be viable if DIYers use cheaper service providers or do some administrative work themselves.

And the report, to be released today by the SMSF Association, said DIY funds with balances of $200,000 or more could be competitive with retail or industry funds even if they used a full administration service for investments and reporting.

The results differ from a 2013 report Rice Warner carried out for the Australian Securities and Investments Commission warning you would need at least $200,000 to make an SMSF viable.

Rice Warner said that while statutory fees had risen with indexation since 2013, other fees had fallen across the board since its earlier report.

Fees charged by retail funds operators have also fallen since 2013 but fees charged by industry funds "had increased so that today they are comparable", the report said.

But the report pointed out that most industry funds provide intra-fund advice within the fees used in the comparisons.