TREND ALERT
The top 5 tips for medical marketing

HOW NRAS WORKS
Accessing big tax bonuses on rental investments

2012 COURSE CURRICULUM
See our Calendar of Events inside

JOINING FORCES
AAPM and The Private Practice – a partnership in business and financial education
CONTENTS

Click on titles to go directly to each article

3  The Editor's Welcome
4  Promoting Excellence
   Enhancing education for practice managers
8  Marketing
   Communicating clearly with your target audience
10  So Far, So Good
   Chris Caton's economic outlook
12  Medical Billing
   Putting Medicare under the spotlight
14  Design
   Calling in the professionals
18  Investment
   The benefits that NRAS brings
20  Finance
   The ups and downs of interest rates
24  Superannuation
   Enjoying the freedom of choice
26  Accountancy
   Smart strategies for reducing your tax bill
28  Technology
   How speech-recognition software can help drive efficiency
32  Retail Property
   Why now could be the perfect time to invest
36  Property
   Investment properties you should avoid
38  Escape
   A journey to Luke Nguyen's Vietnam
42  Diary
   Our Calendar of Events for 2012

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You have devoted many years to looking after others and have not been able to find the time to obtain the answers to all the questions you have about financial matters; your business; you and your family's future.

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EDITOR’S MESSAGE

Collaboration is key

When thinking about distilling the contents of our first issue of The Private Practice eZine for 2012 into a few introductory paragraphs, the word that immediately sprang to mind was collaboration.

My second thought was to lead this introduction with a definition of collaboration that would then segue into linking the articles to a theme that would stimulate thought and hopefully inspire action.

I have resisted reaching for my old high-school copy of the Oxford English Dictionary and have instead written my own definition (Editor’s prerogative!).

**Collaboration: A partnership between individuals or organisations to accelerate the achievement of a shared vision or goal.**

A business is a collaboration between the principals, management and staff. A good business can only stem from an effective collaboration between these stakeholders, one that has, at its core, a shared vision and the appropriate systems and procedures to see it through to fruition.

Medical practices are no exception. We have long held the belief that the collaboration between business-minded principal practitioners and an educated and empowered management team has the capacity to transform the practice of medicine – the objective being to better position the medical practice to efficiently meet the nation’s evolving healthcare demands and the lifestyle requirements of practitioners, management, staff and their families.

This is a vision I know we share with the Australian Association of Practice Managers (AAPM), and it is with great excitement and anticipation that I announce a new collaboration between the AAPM and The Private Practice. Together we will be presenting a series of Business, Financial and Lifestyle Master Classes to healthcare professionals across the country in 2012.

This collaboration stems from the recognition that together we can help lift the level of knowledge and implementation of sound business principles in the Australian medical community.

The AAPM/Private Practice course curriculum can be found on page 42 – for access to all available details simply click on each title. And be sure to secure your ‘early bird’ discounts and complimentary membership to the AAPM, offered with registration to most courses.

I thank you again for your continuing support and hope you find the articles in our fifth edition of The Private Practice eZine informative, educational and, most of all, practical.

I look forward to building on our education collaboration with you – our readers – and course delegates.

Happy reading!

Steven Macarounas, Editor
editor@theprivatepractice.com.au
The Australian Association of Practice Managers (AAPM) represents practice managers and the profession of practice management. AAPM is a non-profit, national peak association recognised as the professional body dedicated to supporting effective practice management in the healthcare profession.

AAPM is committed to:
• Representing and uniting practice managers and the profession of practice management throughout the healthcare industry.
• Promoting professional development and the code of ethics through leadership and education.
• Providing specialised services and networks to support quality practice management.

Our goal is that our members will benefit through the professional recognition, continuing education, networking, personal development, assistance and advice offered by AAPM membership. Our partnership with The Private Practice certainly supports and enhances continuing education, networking and the personal development of the practice manager.

MASTER CLASSES

From our national member survey, it was highlighted that there was a key need for ‘masterclass’ education for the experienced manager. The AAPM National Board is confident that the educational opportunities and access to resources provided through our alliance with The Private Practice will certainly meet this need.

From our national salary survey, it is becoming increasingly evident that practice principals are now seeking increasing levels of competency in business skills, as they aim to improve business performance and profitability. To that point there appears to be a growing number of business managers (as opposed to practice managers) managing health practices, and AAPM needs to be able to provide the appropriate educational support to them.

By being in partnership with The Private Practice we aim to deliver a comprehensive curriculum of business, financial and lifestyle-management education and resources for healthcare practitioners and their managers.

ON THE JOB

Your business manager is expected to perform a wide variety of tasks, with each having a direct impact on the effectiveness of both your performance and that of

Brett McPherson is National President of AAPM.
the practice. AAPM has identified a number of key core responsibilities:

- Financial
- HR/IR
- Planning & Marketing
- IT/IM
- Risk Management
- Governance
- Business Clinic Operation
- Professional Responsibility (CPD)
- Compliance

As a manager’s experience and skills increase with each of the identified responsibilities, so does their capacity to effectively manage your practice.

The diagram outlines a typical distribution of skill utilisation required by an effective manager over a reasonable time period. Differing roles will require different focus, and particular priorities will require the manager to devote more time to specific skills (e.g., quarterly BAS statements = increased Financial and Compliance), but over an extended period all skills will be utilised.

AAPM strongly encourages both the manager and principal at your practice to jointly attend the upcoming Private Practice/AAPM educational events. The sessions provide an ideal forum to share ideas and develop effective practice strategies that will certainly benefit practice performance.
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Adverse Reactions: Upper and lower respiratory tract infection; urinary tract infection; herpes simplex; rhinitis; headache; dizziness; hypertension; flushing; cough; abdominal pain; diarrhoea; nausea; dyspepsia; rash; fatigue; asthenia; abnormal liver function tests; others, see full Product Information.

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- Intravenous (IV): 30-minute infusion at 0, 2 and 4 weeks, then every 4 weeks thereafter with weight-adjusted dosing: Adults: < 60 kg, 500 mg; 60 to 100 kg, 750 mg; > 100 kg, 1 gram.
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The healthcare industry landscape is shifting. Patients are becoming more sophisticated, information is more readily available and competition between healthcare providers is increasing dramatically. Doctors must adapt in order to drive awareness with new patients, retain existing patients and stay on top of their markets.

Australian doctors are increasingly engaging professional marketing techniques, and 2012 will see further increases in healthcare marketing in response to these changing industry trends.

1. Increasing patient sophistication

Generation Y patients are beginning to require adult medical services. These are people who have never known life without the Internet. Today’s tech-savvy patients are more discerning and are accustomed to doing their own research when selecting a doctor, investigating treatment options and making healthcare decisions.

As the market shifts from being solely physician driven to increasingly consumer driven, progressive medical practices are recognising the impact patient desires and expectations can play in the more effective delivery of healthcare. A key trend this year will be the adoption of research surveys to discover patient attitudes regarding your practice. At Vividus we regularly have practice managers and principals comment on how valuable patient data from our surveys is in improving services and making better management decisions.

2. Growing focus on creativity and professionalism

As more medical practices recognise the need to focus marketing efforts on patients, the channels for reaching patients are becoming more saturated. The current challenge for doctors is to present their practices more professionally and in a differentiated fashion to their competitors, in order to grow or even retain market share.

Patients expect quality medical practices to present in a professional manner. Poorly designed or outdated logos, stationery and websites create questions in patients’ minds as to whether such medical practices also employ the same sub-standard approach in their delivery of healthcare treatments. Creativity in communication and design, and the use of new technologies such as internet marketing and social media to reach decision makers, will become more important than ever before.

3. Increased internet communication

With its 24/7 availability, increasing speeds, decreasing costs and sheer variety of uses, the Internet is the most practical,
adaptable and effective medium for reaching patients. Studies have shown that 8 out of 10 Australians search online for information about doctors and healthcare options. Medical practitioners will continue to use the Internet to communicate with their audiences and gain new patients through marketing, but more importantly to keep existing patients and referrers informed via meaningful and timely communications.

Important factors for online marketing, along with driving traffic to your site and increasing patient engagement, include:

- **Mobile-friendly, content-managed websites**: The idea is that your website can be viewed easily on smart phones and mobile devices such as iPads.
- **Social-media integration**: Social media has outranked personal email as the preferred method of online communication, and with over 8-million active Facebook users it is easy to understand the emerging power of this online channel. Forward-thinking medical centres are already creating their own pages on these sites to better manage and create positive online communications.
- **Search Engine Optimisation (SEO) and Google advertising (Adwords)**: Both increase the number of people visiting your website by strengthening the likelihood of being found when people search online.

### 4. Targeted local marketing

According to Google, 97% of people search for local businesses and services online. The vast majority of medical practices operate locally, making Google Places an essential part of medical practice marketing. At Vividus we see many reasons why medical practices should use Google Places:

- It is one of the most cost-effective channels for raising local awareness.
- A professionally optimised ‘Google Places’ listing will improve your Google search rankings.
- With over 90% internet search penetration in Australia, the sheer volume of people becomes a significant factor – if you aren’t visible when they search for your services, you will be losing patients to local competitors.
- The increased usage of smartphones and mobile apps means more people are using mobile phones and tablet computers such as iPads to search Google, or GPS-targeted information to find local providers. Even car GPS systems are now incorporating Google searches to find the location you want, rather than requiring you to know the street address.
- Your ‘Google Places’ listing allows you to discover important insights about your practice and the key search terms patients are using to find your practice. This information is highly valuable in making business and marketing decisions.

### 5. Physician referrals remain essential

Despite the shift toward patient-driven medical marketing, referrals from other doctors and healthcare providers are still important. Professional references and referrals are influential with patients as well as industry peers, and 2012 will see a mix of direct-mail marketing (such as letters of introduction) as well as more strategic and designed communication tools.

**What will you do?**

Medical marketing will always be based in the design and delivery of excellent health services for patients. But over the course of the year we will see increasing numbers of doctors becoming more patient-centric in their marketing. Expect to see a higher degree of professional and creative marketing, as well as more medical practices employing newer technologies to increase local awareness, influence the types of patients attracted and build ongoing relationships with both patients and industry members.

As you develop your marketing throughout 2012, be sure to keep abreast of the changing landscape and remember to always employ an agency that specialises in healthcare marketing and is familiar with Australian legislation and AHPRA guidelines for medical advertising and marketing. 😎

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**Vividus** is a marketing agency specialising in healthcare marketing, including branding, graphic design, printing, signage, websites, internet and social-media marketing, patient-research surveys and strategic marketing plans. For more information visit [www.vividus.com.au](http://www.vividus.com.au) or call 07 3283 2233.
The Australian share market had a moderate month in February, advancing by 0.8%, to bring its gain for the year to date to 6.0%. The US share market once again did better, rising by 4.1%, as measured by the S&P index. This puts the year-to gain at 8.6%, with this measure of the market at its highest level since June 2008, and up by a remarkable 102% from its closing trough on 9 March 2009.

It perplexes many investors that the US market has outperformed our own, which is up less than 40% from its March 2009 low. Suffice to say that such comparisons always depend critically on the starting point. Measure both markets from 2000, for example, and we have outperformed by a street.

The single biggest reason the US market has done better in the past three years is that the earnings of US companies have increased faster than those of Australian companies. And there are two reasons for this. Firstly, productivity growth has been faster in the US than in Australia, and secondly, the US dollar has fallen while the Australian dollar has risen. Since in both cases the listed companies make a lot of money offshore, these currency movements have boosted US earnings but cut into Australian earnings.

ALL QUIET ON THE EUROPEAN FRONT

The European situation didn’t get any worse in the month; indeed one can make the case that it improved. The chart (at top right) shows long and medium-term bond rates for various economies (not including Greece!). I think of long-term rates as a ‘trouble index’. When rates rise, the cost of issuing new debt, or rolling over existing debt, increases. These interest payments themselves add to the country’s debt and the whole situation tends to spiral.

Financial markets have drawn a ‘line in the sand’ at around 7%. Late last year, as can be seen, Italian bond rates crossed this line twice and Spanish bond rates came close. In late 2011 the European Central Bank announced its LTRO (Long-Term Refinancing Operation), which provides

SO FAR, SO GOOD

Reading into the Reserve Bank’s recent decisions, Chris Caton believes the European economic situation is being perceived as less of a threat and that our own economy is continuing to grow.
cheap money to the European banking system, thereby keeping it liquid. This, in turn, eases the pressure on the Government bond markets. As a result, the Italian long rate has fallen steadily for two months, and now sits at 5.4%. Italy held a successful bond auction on 28 February, suggesting markets are now fairly relaxed about Italian debt.

This LTRO program does not fix the problem; it merely stabilises the situation and buys time for the affected countries to get their fiscal books in order. It may, of course, be too late for Greece. On 29 February, the ECB announced the size of the second tranche of the LTRO programme. Initial market reaction has been favourable.

The other favourable international development in February was that, for the first time since August last year, the consensus assessment of global economic growth for 2012 did not deteriorate. It may not be saying much that economic forecasters are no longer getting more pessimistic, but it is a start.

THE AUSTRALIAN SCENE

Last month I mentioned the dramatic slowdown in employment growth in Australia over the course of 2011. The news for January was somewhat better, but it still leaves employment up by just 46,000 in the past 13 months, a rate of increase little more than one-tenth as fast as in the previous 18 months.

The unemployment rate, however, has scarcely risen, sitting at just 5.1%. The flat employment story has not been reflected in a faster rise in unemployment because the rate of growth of the working-age population has slowed dramatically, and the participation rate has declined.

There have, naturally, been big winners and big losers in employment, despite the overall flat result. The chart (below) shows jobs gains and losses over the year to November 2011. There is little by way of surprise here; mining employment has risen, while jobs in manufacturing, construction and retail have all fallen. Manufacturing employment has, in fact, fallen by some 12% since 2008.

As is well known, the Reserve Bank (RBA) sprang a surprise in early February by not taking a further step towards lower interest rates. This partly reflects the fact that it sees less of a threat from the European situation than it did two months earlier. It also believes the Australian economy is continuing to grow at a reasonable, albeit unbalanced, overall rate. The subsequent hike in some lending rates by the banks was also something of a surprise.

I have written about this before. Briefly, the banks are correct when they say their cost of funds is not determined solely by the cash rate, and that this cost has risen recently. But it is also correct that the cash rate does have some effect and that, if the RBA is unhappy with the current level of lending rates, it will move the cash rate to wherever is necessary to achieve lending rates it is happy with.

Whether or not we have seen the last rate cut in this episode depends critically on the extent to which the RBA’s assessment of the Australian economy turns out to be correct. My suggestion would be to watch the unemployment rate. Any sign that it is headed to 5.5% or higher will probably bring forth another cut. Unemployment may be a lagging indicator, but it’s a reliable one!

So, two-and-a-half months into 2012, I see no reason to change my end-of-year forecast of 4700 for the ASX 200. ☺
Working in the medical-billing arena is always interesting. Dealing with the machinations of Medicare and the health funds has been a continuous learning process. In the hope of trying to convey the fruits of my 30 years of experience in the area, and to make billing easy for the profession, I recently set about writing a book to explain it all.

As part of my research I decided to speak to a number of doctors about what it was like to practice before Medicare was introduced. I asked Dr Lorraine Jones, who recalls that a GP’s consultation fee was $2.50 in 1966 and had risen to about $3 in 1969 (at a time when the average family income was $50-$60 per week). And in reply to my question regarding how patients felt about paying to see their doctor when they were likely to be out-of-pocket for the fee, Dr Jones had this to say:

“People didn’t come to the doctor because they could not afford to pay, and so when they finally did come they were very sick. Often they would refuse to have blood taken or X-rays as they could not afford to pay the additional costs. They would say: ‘No, I’m not having that X-ray’, or ‘Don’t take any blood because I can’t afford it’. So you had to do your best with what you had. We didn’t do all the pathology testing and X-rays and scans that we do today.”

Even those patients who did visit the GP would refuse to be referred to a specialist if they were not privately insured.

“Specialist fees were covered by insurance,” adds Dr Jones. “Any pensioner or uninsured patient that needed to see a specialist was referred to the hospital outpatient departments, which provided free services. The specialists in those departments used to have these long lines of people waiting for hours and hours, and getting an appointment took months.”

But all this changed in 1975 with the introduction of Medibank, as Medicare was called back then.

“When Medibank was first introduced patients loved it because it meant everyone could afford to see the doctor. However it wasn’t so great for medical practitioners, because the paperwork to submit claims was long and complex,” Dr Jones explains. “So much detail was required on the vouchers that you needed a specific person whose job it was to check all the details before they were posted, because if one tiny detail was omitted or wrong the whole claim would be rejected. Everything seemed to be rejected by Medibank in the early days and so it took a long time for doctors to be paid – it wasn’t great for cash flow!”

**PROS & CONS**

On the face of it, one might think Medibank/Medicare was a boon for patients but administrative bondage for GPs. However, while it may have introduced a whole lot
of paperwork, the scheme did have
a very significant advantage for
the profession, allowing doctors
to examine and refer patients
appropriately, and provide better
healthcare.

“Medicare makes it so much easier
to investigate and treat patients,” says
Dr Jones. “I would never wish to be
back in a pre-Medicare type billing
system – definitely not!”

I had cause to think about pre-
Medicare times at the start of the
year, when Dr Tony Webber went
public with claims that abuse of
Medicare was rife. Having investigated
a number of breaches, his perception
of the whole profession was perhaps
unfairly coloured by the abuses of
a very small minority. It seems the
media was altogether too happy to
join the doctor-bashing bandwagon.

While making no apologies for
those few who would willfully cheat,
Medicare does not always make it easy
for those who are trying to navigate
the scheme honestly. The rules are
labyrinthine, with hefty penalties for
those who unwittingly make mistakes.
I regularly receive calls from doctors in
a panic because they are too fearful to
submit a claim in case they are
in error.

Seeking clarification from
Medicare Provider Liaison is
frustrating and confounding, with
different officers giving different
opinions for the same problem –
obviously even they don’t understand
the regulations, and they don’t have to
worry about paying the fines if their
advice is wrong. For more complex
assessments or rulings, the wait can
take months.

SEEKING CLARITY

I often wish Medicare could function
like the tax office, offering prompt
written rulings and reliable advice
over the phone. Medicare must take
some responsibility for the confusion
that it causes. I put forward those
thoughts in a letter, which was
published in The Sydney Morning
Herald in January.

Maybe there were already plans
afoot to improve Medicare’s advisory
service, as a new email hotline
has just been introduced:
askMBS@humanservices.gov.au

As Medicare says, it’s a dedicated
email address “for health professionals
to send their Medicare Benefits
Schedule (MBS) item interpretation
questions to the Department of
Human Services”.

As the Department explains:
“Enquiries sent to this email address
will be handled by a centralised
specialist team, who are trained
to respond to these often complex
MBS interpretation questions...
Your enquiries will be responded
to promptly and you will be kept
informed of progress”.

I’d encourage you to use the
service when you have queries, and
am hopeful that it will go some
way towards fixing the current lack
of clear and helpful information.
Because whatever flaws there are with
Medicare and whatever the difficulties
in navigating the system, Australia’s
excellent level of healthcare is, in large
part, predicated on it.

We all have a great interest in
ensuring Medicare works well because
a healthy Medicare makes for a
healthy population.
‘Form follows function’ has been one of the fundamental tenets of design over the past century. While this seems to make good intuitive sense, does it place appropriate value on patient comfort or reflect an individual surgeon’s personality when it comes to their working environment?

A modern medical surgery must be as efficient as possible to accommodate the requirements of those who operate in it, but this efficiency should not come at the cost of patient comfort or the opportunity to create positive patient experiences.

Visiting a surgery can be an anxious time for many patients, and although you may be confident in your ability to treat them, does your surgery reflect that level of confidence?

Creating an environment that strikes the perfect balance between efficiency and patient comfort while communicating your unique personality is a difficult task. This is where a specialist surgery designer can help.

Seeking Specialist Advice

To achieve the best results, good surgery design requires a specific set of skills and disciplines tempered with considerable experience. Like surgery, it’s best left to a specialist.

Once you’ve decided to hire a designer, your next consideration will be whether to contract a complete design and build solution, or tender each part of the overall project and coordinate everything yourself.

Keep in mind that when the design and construction of your new surgery has been spread among several different providers, the responsibility is diminished. If things go wrong you may find yourself in a situation where contractors are blaming each other and you are stuck in the middle with an expensive mess.

Coordinating the design and build of any new surgery is a time-intensive activity that requires a lot of energy and specialist knowledge. By engaging a complete design...
and build solution provider, you are able to take a behind-the-scenes approach and continue your normal working life while your new surgery takes shape.

THE BRIEFING PROCESS

The design brief is the cornerstone of any new development, informing all design decisions for the project. Getting it right is a crucial first step towards good surgery design.

Specialist surgery designers take a holistic approach and will spend time identifying your specific needs and desires before starting the design process. Through a series of meetings with you and any other key stakeholders, the designer will compile all thoughts and wishes into a comprehensive brief that fully captures the intent of your new surgery.

Whether conducted in person or over the phone, these discussions give you an opportunity to tell the designer how you work, the particular equipment you require, your patient demographic and any specific themes or feeling you would like to convey.

Most importantly, your designer will come to know and understand your personality and values, and will communicate both in the design concept.

With a completed design brief, your surgery designer will be able to translate the information into design concepts that address each element of the brief in a manner congruent with your vision. The designer will also incorporate any compliance requirements – such as parking bays, disabled access, accreditation, infection control, plumbing, electrical and other statutory obligations – into the design.

Operational efficiency is paramount in your treatment areas, and the way you work will influence how your treatment rooms are planned. Specialist equipment must be allowed for and built in to the design of each room. Working-space requirements and ready access to equipment are all factors your designer will take into account during the planning stage.

If you like to take notes or need to access a computer while treating a patient, your designer can allow for this and design your treatment areas accordingly.

In the next stage of the design process, your designer will create a floorplan showing the location and dimensions of all relevant equipment, doors and windows to provide you with an overview of the operational flow of the new surgery. The floorplan clearly shows the different sections for patients and staff, along with the
way the various spaces interact. Once the floorplan has been finalised, any necessary council applications are submitted.

**TAKING A SNEAK PREVIEW**

Three-dimensional renders can give you an excellent overview of what the space will look like once completed. Your designer should be able to provide initial renders of the design at this stage so you can get a feel for the final result before the surgery is built.

Textures, colours and furniture selection are vital in creating an atmosphere to put your patients at ease and make them feel comfortable in your environment. There is an enormous range of fabrics, styles and colours to choose from, and the choices can be overwhelming.

Durability and ease of care are factors that should influence your furnishing decisions, and fabric samples will give you a ‘hands on’ impression. Your designer should be abreast of the latest developments and provide options that suit your requirements and create the desired ambience.

Reception and waiting areas should be designed to make a good first impression. These areas may be where your patients spend most of their time at your practice, so putting them at ease and providing a comfortable environment is vital.

A patient’s positive experience shouldn’t stop once they leave the comfort of the waiting room and enter the treatment areas – the designer should create a level of continuity between the two areas and provide a sense of flow.

**GIVING THE GREEN LIGHT**

Once the design has been finalised, your new surgery enters the construction phase. Whether you’re completing a ground-up build or renovating an existing building, specialist project-management skills are essential to effectively coordinate the required tradespeople and service providers, and to keep your project on track.

Many medical specialists, particularly those that choose to manage their own builds or fit outs, underestimate the time involved in managing a construction project. Experienced construction project managers are highly skilled time managers and are able to drive your project through to completion while maintaining open lines of communication. It is in this phase of the development that the benefits of dealing with a single company becomes strikingly clear, as the project manager is able to confer with the designer and address any issues as they arise.

Once construction is complete, your surgery is ready for handover, which should include comprehensive documentation of the building process plus all equipment installations and associated documentation. Your new surgery can now open, allowing you and your staff to deliver your unique brand of patient care within the best possible working environment.

Designing and building a new surgery is a significant undertaking. By engaging the services of specialists it can also be immensely rewarding for you, your staff and your patients.
REDUCE PRACTICE COSTS
With Speech Recognition generate ‘once and done’ documentation, dictating, editing
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KEY BENEFITS OF USING DRAGON PROFESSIONAL IN A HEALTHCARE ENVIRONMENT
Using Dragon NaturallySpeaking 11 Professional, you can dictate in real-time
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instantly review, sign, and make your notes available for other clinicians.
• Improves financial performance by eliminating transcription costs and by
  increasing productivity compared to typing or ‘point and click’ data entry.
  You can now spend more time with patients or increase your patient load –
  leading to higher practice revenue.
• Raises quality of care by enabling
  you to dictate, review and sign medical
  records in one step. This allows you
to communicate clinical information
  more quickly to referring specialists and
  patients alike. Faster, more complete
  medical records lead to care plans
  being put into place more quickly.
• Make your life easier by simplifying
data-entry, eliminating typing or ‘point and click’ methods.

Contact your Preferred Software Reseller for pricing and availability, or call 1300 550 716 for a Reseller nearest you.
The government’s National Rental Affordability Scheme offers eligible investors almost $10,000 per year in tax bonuses – all in the name of helping to address a looming national crisis. Scott Moses provides the details.

In terms of present investment opportunities in Australia, the Federal Government’s National Rental Affordability Scheme (NRAS) is perhaps the most misunderstood. The culprits are the main-market players – the government, planners, developers and real-estate agents – who have failed to effectively communicate the program’s benefits to investors.

It’s no secret that many Australians are feeling the effects of the housing-affordability crisis, with some cities suffering from an acute shortage of affordable rental properties. The Federal Government has indicated that 1.5 million people are waiting for government-related rental schemes, equating to around 685,000 homes needed.

Enter the NRAS, developed to address the housing-affordability crisis for low to middle-income earners feeling the pinch. It works by offering investors up to $10,000 in annual tax incentives per property in order to build quality rental homes in growth areas where families have a demand for reasonably priced rental properties.

The condition is that homes are rented at a rate of at least 20% less than market price and properties are managed on behalf of investors to ensure compliance with legislation and regulations, thus taking the hassle away from the investor.

**THE NRAS FACTS**
- Eligible NRAS investors must rent the property to low or moderate-income households at a rate that is at least 20% less than market price.
- Each qualifying property attracts a tax-free annually indexed government incentive. This incentive is currently $9,524 per year and comprises a 75% federally funded and 25% state/territory funded incentive. The Federal Government component is paid annually as a refundable tax offset or payment. The state or territory contribution is made via direct payment, or as in-kind support.
- The NRAS incentive lasts for 10 years, provided investors continue to comply with tenant eligibility and rent-discount conditions.

Properties can be taken off the program before the 10 years is up. You can either sell it to another investor within the NRAS, opt out to sell the property on the open market.
or move into it yourself. Opting out of the NRAS will lose you a proportion of your tax credit for the year in which it is sold.

• Eligible NRAS properties typically have the following characteristics – close to services such as education, retail, medical and transport; close to employment and industry; located in an area that has an undersupply of affordable housing.

• You can invest in multiple NRAS properties with the full incentive applied to each.

• Any property related expenses, non-cash deductions and allowances for properties under the NRAS will be calculated against a lower assessable rental income, increasing negative-gearing benefits.

• NRAS investors may also be entitled to additional bonuses on offer by the states/territory over and above the NRAS incentives. If you’re investing in Queensland, for example, you may also be able to take advantage of the state government’s building boost until 30 April 2012 – offering an additional one-off payment of $10,000 per property for eligible new homes with a purchase price of less than $600,000.

WISE BUYS

Tax benefits and subsidies aside, your priority as an investor should always be to purchase a quality property in a good location with proven rental growth. Treat government incentives as a bonus – they shouldn’t be the deciding factor.

This approach will be increasingly important in what is tipped to be the next stage of the residential property investment cycle, where rental income growth will make up a larger part of your return than capital gains.

This is consistent with the trend we have seen over the past five years, where rental growth across the combined capital cities outpaced the growth in home values. In 2011 rental rates grew by 6.3% across the combined capital cities, compared to a fall in home values of 3.6%, according to RP Data.

Ultimately it is critical that you seek qualified financial and investment advice specific to your situation. It would be a mistake to rely on banks and valuers, who typically don’t understand the NRAS and other offerings. In the short and long-term it will be a smoother and more lucrative process if you partner with an expert who understands the ins and outs, and is able to create a complete package that works for you.

Please contact The Private Practice Hotline on 1300 720 090 for an introduction to an endorsed adviser to discuss the appropriateness of an NRAS property investment within your portfolio.
There has been much discussion of late, both in the press and by the coffee machine, about interest rates, the greed of the major banks and the new paradigm for the Reserve Bank. Many people are angry the major banks have recently increased variable interest rates out of step with the Reserve Bank, especially given the enormous profitability of our banking industry.

Read on and I will attempt to demystify the process the banks go through when they set interest rates on the mortgages we pay.

I’ll also touch on the implications for this new paradigm relative to monetary policy and the weakening of the Reserve Bank’s ability to manage inflation and the overall economy, now that the banks have indicated quite plainly that they intend to set interest-rate policy for the products they market.

There are risks to this new boldness from the banks, both for consumers and the economy as a whole. The only real winners appear to be the banks themselves, but more on that later.
HOW RATES ARE DETERMINED

Most home lending in Australia is funded by variable-rate loans. The banks raise deposits, which cover about 70% of their lending book. These deposits are generally priced at or below the ‘cash rate’, as established by the Reserve Bank at their monthly meetings. The cash rate is therefore used by the banks as a benchmark for their deposit-taking, although many deposits are still raised by the major banks at significantly less than the cash rate.

The current cash rate is 4.25%. The balance of the money to fund the loan book is mostly raised domestically, via bank bills and other financial instruments. A small amount is raised overseas. Typically the banks pay more for this additional funding, although it is a guarded secret how much more.

Fixed-rate loans are priced differently. The banks use interest-rate swaps to price their fixed-rate loans for periods out to 10 years, although most fixed-rate loans are fixed for one to five years. An interest-rate swap represents the price at which the wholesale market will exchange fixed-rate income streams for variable-rate streams. Over different fixed-rate periods the market will pay different prices, depending on whether it expects interest rates to increase or decrease.

Whether the loan is variable or fixed, the banks add their margin to the cost of funds and thereby establish a ‘customer rate’.

The banks argue that this margin increase is the result of their cost of funds increasing (the 30% funded by non-deposits). This may or may not be true, but clearly the major banks are making record profits in a low-lending environment with limited corporate activity, and therefore it is reasonable to presume that whatever increase in their cost of funds that has occurred has not unduly dampened their profitability.

As a result of the banks taking this additional margin, it’s important that consumers take advantage of any opportunity that may occur in the market. One such opportunity may be now.

FOLLOWING THE YIELD CURVE

The yield curve plots interest rates over time, ranging from overnight cash to five-year swaps. These are the rates that banks can raise money at. Effectively, they are the cost of funds for lending purposes.

Back in October 2011 the yield curve was quite concave (see Diagram A), with cash at 4.75% and two and
three-year swaps available at 4.05% and 4.15% respectively. This meant that once the banks added their margins, two and three-year fixed-rate loans were significantly less expensive than variable-rate loans.

In November, following the Reserve Bank’s reduction of the cash rate to 4.50%, the yield curve remained concave. Two and three-year swaps decreased to 3.73% and 3.84% (see Diagram B).

Clearly the market was expecting the cash rate to decrease further and variable-rate loans to decrease in step, perhaps not the best time to fix. And the cash rate did decrease again. In December the Reserve Bank reduced the cash rate by a further 0.25% and today it stands at 4.25% (notably there have been no further reductions since).

The yield curve looks quite different today – it’s almost flat (see Diagram C). This implies that the money market does not foresee significant further reductions in interest rates. The sentiment has changed. Is the money market always right? Not always, because things can change quickly. But it’s usually right.

So, how can we use this Information to our advantage?

A flattish or slightly positive yield curve, as shown in Diagram C, implies that the market feels less stimulus will be required from the Reserve Bank. Interest rates are likely to remain static in the short to medium-term and will ultimately rise in the longer term.

So, are there still some of those good fixed-rate deals out there? Yes, there are. At the moment you can still secure a two-year, fixed-rate loan at 5.89% – well below current variable-rate offerings of 6.50% to 6.80%.

This may change in the near term but the point is that now may be the time to have a good look at fixed rates. They don’t suit everyone, but if you are looking for interest-rate security at below today’s variable rate offerings and are prepared to put up with less product flexibility and the potential for break costs, fixed-rate loans become a real option.

MARKET FORCES

In summary, we are all different. We have different needs and different risk thresholds. Some of us don’t want to worry about interest rates – we like to know our repayments won’t change, especially once we have determined what we can afford.
In Canada, where I grew up, most mortgages are still fixed for five years. In the US, they are fixed for 30 years. Like Australians, Canadians and Americans don’t trust the banks much, and the thought of letting them increase interest rates as they please doesn’t sit very well.

This brings me back to the earlier discussion about banks raising variable interest rates out of cycle with the Reserve Bank – in other words, whenever they like. This is not a good development in the industry and is an indication of how brazen the banks have become.

Most of the real competition from the non-bank lenders died in the GFC. Unlike the banks they received no government assistance by way of guarantees. The major banks are an oligopoly and, as such, have tremendous market power.

It’s important that our banking system remains strong, but with that comes a certain responsibility. It is a sign of laziness and lack of innovation that the banks feel they can raise interest rates rather than improve efficiency in order to improve profitability. Unfortunately this often occurs with a monopoly or oligopoly. The participants are more inclined to find ways to maintain the status quo than to innovate and deliver on outstanding customer service, which is a great shame.

Most of the real competition from the non-bank lenders died in the GFC.
Super choice for the Western Australian public sector may be great news, writes Wayne Leggett, but it's not cut and dried.

On March 30 a change to the superannuation options available to employees of the Western Australian (WA) public service will be introduced without the fanfare it deserves.

On face value, the opportunity to choose a fund other than the Government Employees’ Super Board (GESB) to receive your employer-mandated super contributions may not seem such a big deal. However an examination of the potential benefits of this change highlights its significance.

At present, anyone who finds themselves in receipt of Super Guarantee payments from the WA government has no choice but to receive these payments to one of the three funds administered by GESB – Gold State, a defined benefit scheme no longer open to new members; West State, the accumulation fund opened when access to Gold State was curtailed and now also not open to new members; and GESB Super, the accumulation fund currently offered to new employees.

This means anyone wishing to avail themselves of the benefits of belonging to any other super fund, be it a public-offer fund or a self-managed fund (SMSF), had to either forego these benefits or suffer the inconvenience of maintaining two superannuation funds – a GESB fund for their Super Guarantee contributions and a fund of their choice for their voluntary contributions.

As of March 30, this situation will no longer exist. Henceforth, employees will be given a choice as to where they wish to have these mandated contributions directed, and possibly eliminating the need to have two separate superannuation funds.

PROCEED WITH CAUTION

This is particularly good news for those of you in receipt of mandated super from the WA Government who are looking to utilise a SMSF, perhaps with a view to owning your own consulting rooms, or for those endeavouring to commence a pre-retirement pension.

A word of caution, however – as both West State and Gold State are what is known as Constitutionally-Protected Funds, they are untaxed, unlike public-offer super funds. In addition, they are not subject to the annual Concessional Contribution limits that apply to members of other ‘taxed’ funds. Rather, a lifetime Concessional Contribution limit applies. For the 2011-12 financial year, the amount is $1.205 million, this figure being indexed annually with the CPI.

Because of this unique situation, those who can potentially take advantage of this opportunity would be well advised to seek qualified professional advice before making decisions about whether or not to withdraw from membership of any WA public-sector super fund.

Disclaimer: The above information is commentary only. It is not intended to be, nor should it be construed as investment advice. The views expressed are subject to change at any time based on market and other conditions. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. Before making any investment decision you need to consider your particular investment needs, objectives and financial circumstances.
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INVEST NOW: DIF CLOSES 30 JUNE 2012

Invest in DIF for sustainable, stable and tax-advantaged income with the potential for capital growth.

• 8% Yield*
• Suitable for self-managed super funds (SMSF) and retail investors

For further information on the opportunity contact your financial adviser, call Charter Hall today on 1300 652 790 or visit www.charterhall.com.au/dif

1. Based on target 8 cents per unit distribution on $1.00 unit price.
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ACCOUNTANCY

One of the most common questions we are asked at William Buck is ‘How can I reduce my tax?’ Let’s face it – nobody wants to pay any more tax than they absolutely have to. Occasionally, however, in the quest to minimise tax an individual becomes confused about the different types of income they are receiving, how this income is taxed and the strategies that are available to minimise their tax bill.

Here I will focus on the two main types of income doctors generate and the issues to look out for when considering your tax strategies.

PROFESSIONAL INCOME

Whether you’re an employee doctor, contracting or self-employed with your own practice, the main type of income that will fund your lifestyle and your investments is professional income. This is otherwise known as ‘active income’, as it involves getting into the rat race and working to receive a reward for your effort. It’s also referred to as ‘personal services income’, as it is income earned solely by you, due to your education and hard work.

When considering the application of tax to this type of income, one way to think about it is that if you do the work, you pay the tax. Despite what you may have heard in hospital corridors or at dinner parties, there are no tax structures available to legitimately distribute this income to other family members. If they did not do the work, they cannot get the income.

If you’re currently using a structure such as a trust or a company to receive your professional income, you may be subject to the ‘personal services income’ rules within the tax law. These rules operate to ensure that, despite the structure, any personal services income is taxable to the individual who is performing the work.

What can you do to reduce tax on professional income?

If you are an employee doctor, the key strategies are:

- Using the salary sacrifice concessions available to employees of public hospitals to save you at least $3000 in tax each year.
- Examining how you structure your investments to maximise any personal-investment deductions.
- Maximising your employment deductions.

If you are self-employed, the key strategies are:

- Considering the use of a service trust within your business.
- Examining how you structure your investments to maximise any personal-investment deductions.

INVESTMENT INCOME

Investment income is the opposite of active income – it is income you earn from any investments you have made and is passive in nature. Some examples include rental, dividend and trust distributions.

When considering the taxation on investment income, remember that if you own the asset, you pay the tax. This means passive income is an area where you can really put your tax-planning strategies to good use, as you have a wide variety of choices regarding who should own the asset, depending on the outcome you are trying to achieve.

Unlike active income, passive income gives you a choice as to who will be taxed on investment income. This is where structures such as discretionary trusts, companies and superannuation funds have a significant role to play. The main point to remember here is that the time to make your tax-structure choice is prior to purchasing the asset, so be sure to seek advice before you start building on your wealth.

Whether your income is active, whereby you do the work and pay the tax, or passive, where you own the asset and pay the tax, it’s vital to ensure that you plan your affairs to take advantage of all tax-minimisation strategies.

If it’s been a while since you examined your structures or strategies, talk to your accountant to ensure that your choices are working to your advantage.

Note: This article is intended to be general in nature and should not be relied upon by any person without seeking advice concerning their own circumstances.

Julie Smith is Director at William Buck.
Websites That Attract Patients

8 out of 10 Australians search for healthcare information online.
Without an effective website you are missing out.

Most medical websites are dead on arrival when it comes to getting enquiries or new patients. They are either poorly designed, hard to find, or lack the best practices necessary to motivate people to call you.

Vividus custom medical websites will build your reputation and business:
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By investing in the latest speech-recognition software, writes Vicki Rigg, you can help to ease your practice’s administrative burden.

Medical professionals looking to reduce administrative tasks and reduce practice costs are increasingly turning to speech-recognition software for assistance, with products such as Nuance’s Dragon NaturallySpeaking Professional boosting efficiency.

Dragon helps medical professionals work faster and smarter by enabling the user to interact with their PC by voice and create text three times faster than typing. The software offers up to 99% accuracy straight out of the box, dramatically reducing the time spent documenting care. It is designed to work with both ‘Medical Director’ and ‘Best Practice’, so practitioners can dictate directly into electronic health records in real time and instantly review, sign and make their notes available for other clinicians.

COST CUTTING

The financial benefits of using speech recognition software are numerous. Firstly, transcription costs can be greatly reduced – by using speech-recognition software as your personal assistant, you can generate “once and done” documentation, dictating, editing and reviewing in one step and significantly cutting the time spent documenting care. Features such as ‘fast-forward’, ‘rewind’ and speed and volume-control capabilities allow you to play back your dictation for easy proofing.

Each time you use Dragon it updates your voice profile based on your dictation session and any corrections you make, constantly improving on the 99% accuracy and further improving on your results over time.

Secondly, productivity and efficiency are increased. Dragon works with a number of digital voice recorders so you can dictate notes off-site and have Dragon transcribe them when you are back in the office, via your docking station. Using a wireless headset provides both comfort and mobility, allowing you to multi-task at a whole new level.

By enabling you to dictate, review and sign medical records in one step, you can communicate clinical information more quickly to referring specialists and patients alike. Faster, more complete medical records lead to care plans being put into place more quickly.

CATCH PHRASES

Along with the aforementioned benefits, Dragon offers a more efficient way for medical professionals to manage tasks such as creating spreadsheets, presentations, emails, scheduling meetings, opening and closing applications and folders, and even searching the Internet.

Other key features include the capacity to create custom vocabularies – you can incorporate unique names, acronyms and terminology tuned to your medical practice so the words and phrases you regularly use will be readily recognised.

Custom word lists can be imported and shared across the practice.

Special voice commands can also be created, allowing you fill out forms, insert frequently used text and graphics or automate business processes with ease.

Larger practices can take advantage of software solutions that provide enterprise-ready security features, configuration options and administration tools for effectively managing large user networks. In short, there’s a solution for practices of all shapes and sizes.

CLICK HERE

Click on http://dragon11.com.au/roi-business/ to see how much your practice will save with a Dragon NaturallySpeaking speech recognition solution. For more information about a Dragon NaturallySpeaking Professional solution for your practice, please call 1300 550 716.
From greenfield sites & ground up builds to renovations and redesigns of existing surgeries, Medifit creates original practices that are state of the art in both form and function.

Since 2002, Medifit’s “one stop shop” operation has consistently delivered excellent results for dentists and specialists throughout Australia. Working within clients’ timeframes and budgets, our design and construction team is unrivalled in producing the finest outcomes. It’s been the backbone of our success and the standard our competitors aspire to.

To experience the Medifit difference, contact us today for a no obligation consultation.
Recent market volatility has highlighted the fact that there are always risks involved when investing money, including your superannuation. It’s important to understand that there is no such thing as a risk-free investment. Even bank accounts and term deposits suffer the potential risk of a loss of purchasing power due to inflation.

As risk is always present, the key issue becomes how to best manage your exposure to risk and market volatility in light of your investment profile.

Risk and market volatility?
There are many types of risk faced by investors, including market risk, credit risk, currency risk, inflation risk, interest rate risk, liquidity risk, manager risk and timing risk – all of which contribute to market volatility in some way. Importantly, investment markets move in cycles and it is quite normal to experience the high levels of volatility we are seeing now at some stage in the cycle.

Volatility refers to the level of variability or fluctuation in returns from an asset – i.e. the higher the volatility, the less certain the return. If we take a look at the chart below, we can see how volatility has affected various asset classes since 1984.

As can be seen below, growth investments such as listed property and shares have been affected by periods of high volatility, but have provided a higher rate of return to investors who have remained invested throughout the period.

Why then, when armed with this information, are investors repeatedly tempted to disregard their long-term strategy and move into cash (and potentially crystallise losses) to preserve capital during times of heightened volatility? Is there a better way? Can you remain invested whilst limiting your downside risk? Can you have your cake and eat it too?

A VIABLE SOLUTION
The P2 Protected Solution acts as an enhancement to superannuation and investments by limiting the effect of market declines, thus providing a form of insurance. The protection is provided via a trading account managed by Milliman, one of the world’s largest risk-management firms. This account holds short positions in exchange-traded futures contracts, which limits broad market risk while enabling the retention of any alpha – positive or negative – produced by the selected equity fund managers.

The protection can be offered across a range of different model portfolios, from conservative to high growth, and can be removed and reinstated at any time. Furthermore, the P2 Protected Solution has been designed in such a way to be cost-effective (an additional cost of approximately 0.34% per annum on the balanced model portfolio) and to provide minimal drag on investment returns in a rising market, two of the key disadvantages commonly associated with other protection strategies.

Denis Durand is Director of Fortnum Financial Advisers.

INVESTMENT

Increasing Protection

Keen to establish a degree of risk management around your investment portfolio? Denis Durand explains how to go about it.

Note: Accumulated returns based on $1,000 invested in December 1984 as at 30 December 2011. Source: S&P/ASX 300 Accumulation Index, MSCI World ex-Australia (net dividends) Index in A$, S&P/ASX 300 Property Index, UBS Composite 0+ years index, UBS Bank Bill 0+ years.

NEED HELP?
To discuss whether the P2 Protected Solution is appropriate for you and how protection may assist as part of your broader wealth creation strategy, please call The Private Practice Hotline on 1300 720 090 for an introduction to an endorsed Financial Adviser in your home state.
**HUMIRA**

*The Power To Fight RA*

*Improved clinical signs and symptoms and inhibition of radiographic progression in moderate to severe RA*

**INDICATIONS:**
- **Rheumatoid Arthritis (RA):** Reducing signs & symptoms, and inhibiting structural damage, in adults with moderate to severely active RA; including patients with recently diagnosed moderate to severely active disease who have not received methotrexate. Humira can be used alone or in combination with methotrexate.
- **Polyarticular Juvenile Idiopathic Arthritis (pJIA):** Humira in combination with methotrexate is indicated for reducing the signs and symptoms of moderately to severely active polyarticular juvenile idiopathic arthritis in patients aged 4 years of age and older. Humira can be given as monotherapy in case of intolerance or when continued treatment with methotrexate is inappropriate.
- **Psoriatic Arthritis (PsA):** Treatment of signs and symptoms, as well as inhibiting the progression of structural damage, in patients where response to previous DMARDs has been inadequate.
- **Ankylosing Spondylitis (AS):** Reducing signs and symptoms in patients with active AS.
- **Crohn’s Disease (CD):** Treatment of moderate to severe CD in adults to reduce the signs and symptoms of the disease and to induce and maintain clinical remission in patients who have had an inadequate response to conventional therapies, or who have lost response to or are intolerant of infliximab.
- **Psoriasis:** Treatment of moderate to severe chronic plaque psoriasis in adult patients who are candidates for systemic therapy or phototherapy.

**CONTRAINDICATIONS:** Severe infections including sepsis, active TB, opportunistic; concurrent anakinra; moderate to severe heart failure.

**PRECAUTIONS:** Infections (bacterial, mycobacterial, invasive fungal e.g, histoplasmosis, viral or other opportunistic); hepatitis B, latent TB; demyelinating disorders; haematologic events; live vaccines; immunosuppression; new or worsening CHF; renal, hepatic impairment; malignancy; hypersensitivity reactions; latex sensitivity; concurrent abatacept; elderly; pregnancy, lactation, surgery.

**ADVERSE REACTIONS:** Respiratory tract infections, leucopaenia, anaemia, headache, abdominal pain, nausea and vomiting, elevated liver enzymes, rash, musculoskeletal pain, injection site reaction are very commonly seen adverse events. Benign neoplasm and skin cancer including basal cell and squamous cell carcinoma were commonly reported. Fatal infections such as tuberculous and invasive opportunistic infections have rarely been reported. For others, see full PI.

**DOSAGE & METHOD OF USE:**
- **RA, PsA and AS:** 40 mg sc fortnightly as a single dose.
- **pJIA:** Paediatric Patients (4 to 17 years) 15 kg to <30 kg 20 mg fortnightly; ≥30 kg 40 mg fortnightly.
- **CD:** Induction: 160mg sc (Four injections on Day 0 or Two injections on Day 0 and 1), 80mg as two sc injections on Day 14, then Maintenance: 40mg sc starting on Day 28 and continuing fortnightly.
- **Psoriasis:** Initial dose of 80 mg, followed by 40 mg fortnightly, starting one week after the initial dose.

SHOP AROUND

Strong income returns and low volatility make for a good investment. Richard Stacker explains how direct property can beat term deposits when you’re investing for the long term.

RISK & RETURN – Finding the right balance

Every asset class has different characteristics, as well as similarities, to consider. Both term deposits and direct property offer reduced volatility of returns when compared to shares and equities. Lower volatility of returns is important to investors looking for consistent returns with lower risk over the long term.

Cash is a popular safe investment, as evidenced by the rush to cash accounts and term deposits during the Global Financial Crisis (GFC), with cash holdings approximately double today what they were in 2006.

An investment in cash is considered low risk, however over the longer term holding high allocations to cash has the potential to materially erode the value of retirement savings. Over the past decade, the purchasing power of the dollar has eroded by over 30% according to the RBA, signifying that investments need to provide significant real returns (net of tax and above inflation) to maintain and grow long-term savings.

In Australia, investments in cash/term deposits have historically provided significantly lower returns than investments in direct-property funds. The Mercer/IPD Unlisted Property Funds Index and UBS 90 Day Bank Bill Index show that over the 10 years to 31 December 2012 cash returned 5.4% pa, with Australian unlisted-property funds returning 9.5% pa. Over the past decade, which covers the GFC’s impact, Australian unlisted-property funds outperformed cash by 4.1% pa.

DIRECT PROPERTY – An alternative to term deposits

The Australian commercial real-estate market is relatively small in size in contrast with the country’s total superannuation savings and total cash savings. According to Investment Property Databank, the total size of investment-grade property assets was approximately $120 billion as at 30 June 2011.

believes commercial real-estate valuations offer compelling value at this point in the market cycle, with above-average historic income yields and above-average prospective total returns. As Australia’s superannuation sector continues to grow and the large pool of cash moves to higher returning opportunities, Charter Hall believes commercial real estate is likely to provide solid capital growth, in addition to the current high-income yields available.

Investors comfortable with purchasing residential property may find the entry cost

Richard Stacker is CEO of Charter Hall Direct Property, a $1.5 billion unlisted property funds business for retail investors.
The Private Practice Autumn 2012

RETAIL PROPERTY

PROPERTY SECTOR EXPECTATIONS

INDUSTRIAL PROPERTY RENTAL CLOCK

As shown, all markets are in the ‘early upturn’ phase of the rental cycle with Perth more advanced in the cycle, and showing higher growth. The expectation of pending rental increases should place downward pressure on yields, thereby leading to capital value increases.

OFFICE PROPERTY RENTAL CLOCK

Nationally all markets bar Canberra have low vacancy levels, which are driving rental growth. Rents have continued to rise through the cycle. Office yields are expected to tighten in coming years and valuations are expected to rise based on these factors.

Source: Jones Lang LaSalle Research Q4 2011

of commercial property a barrier (institutional grade assets start at $15 million). However there are alternative ways to access commercial property, including REITs (listed property trusts), unlisted (direct) property trusts and syndicates, which cover the office, industrial and retail sectors.

TERM DEPOSITS VS DIRECT COMMERCIAL PROPERTY

Term-deposit rates offered by Australian and international banks have reduced considerably. According to the RBA, average term-deposit rates have fallen from 7% in February 2010 to 5.3% in February 2012.

The current average one-year term deposit is 5% pa, but that headline rate ignores the effect of inflation. Assuming inflation of 2.5% (the RBA’s official inflation target) during 2012, the return from cash after the effect of inflation reduces to approximately 2.5% pa. Consider that tax needs to be paid on the interest earned, and the real return (after inflation and tax) reduces to 2.1% (super fund) and as low as 0.2% (highest PAYE tax rate).

An investor with $100,000 of capital as at 31 December 2001 needs to grow that capital to $132,000 by 31 December 2012 to retain the value of investment in line with inflation. Over the past decade a $100,000 investment in cash achieved $169,000 (prior to tax).

A PAYE taxpayer on the highest tax rate would see their investment in cash after tax just meet the value required to stay in line with inflation. If the same capital were invested in an unlisted property fund that tracked the industry benchmark
inflation, it would have grown to $247,000. This strong performance includes the negative returns that occurred in 2008 and 2009. The analysis over 20 years and 25 years yields similar results, with unlisted property funds outperforming the returns available from cash markets materially.

The ‘real’ return on a direct-property fund such as the Charter Hall Direct Industrial Fund (DIF), including conservative growth, is more likely to be 7% or higher*. DIF provides an income distribution of 8% (in 2012), which is expected to increase with annual rent increases of the portfolio’s underlying leases (properties scheduled to grow at 3.2%, ahead of inflation expectations).

Even if capital values remain stagnant for the investment term, the average real return should be in excess of 8% pa. Considering the potential for capital growth due to the fixed-rent growth and assets purchased at the low point in the cycle, the real return (after inflation) could potentially be 10% pa*.

The capital growth inherent in a direct property investment is a hedge against inflation and materially assists long-term investors and savers to reduce the risk of their investments being eroded by inflation over time.

And let’s not forget the income returns net of any capital growth. The example left shows the after-tax annual income return on a $100,000 investment in an unlisted property trust, DIF, versus an average cash term deposit. It compares DIF’s 8% targeted return after tax to a cash return of 5% after tax.

**THE TIME IS NOW**

At this point in the cycle, term deposits warrant some caution for investors, particularly those attempting to build long-term wealth sufficient to offset the threats of inflation and tax leakage. An investment in cash during periods of inflation seriously erodes the purchasing power of retirement savings.

A conservatively geared direct-property investment can reduce an overall balanced portfolio’s volatility and increase overall returns.

---

**INVESTMENT IN COMMERCIAL DIRECTION PROPERTY**

**BENEFITS**
- Low volatility
- Inflation hedge with fixed annual increases in rent
- Tax advantages increase after-tax income returns
- Potential capital growth
- Low correlation to equities
- Income return approx. 70-80% of total return

**RISKS**
- Illiquid
- Capital expenditure costs
- Market conditions

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**NOTE:** While every care has been taken in the preparation of this article, Charter Hall Direct Property Management Limited (CHDPFML) (ABN 56 073 623 784; AFSL 226849) makes no representation or warranty as to the accuracy or completeness of any statement in it including, without limitation, any forecasts. Past performance is not a reliable indicator of future performance. This article has been prepared for the purpose of providing general information, without taking account of any particular investor’s objectives, financial situation or needs. An investor should, before making any investment decisions, obtain DIF’s Product Disclosure Statement (PDS) from Charter Hall by calling 1300 652 790, consider the appropriateness of the information in the PDS, and seek professional advice, having regard to the investor’s objectives, financial situation and needs. Neither CHDPFML nor any other company in the Charter Hall Group guarantees the repayment of capital or performance of any product or any particular rate of return referred to in this article.
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Trust your instincts

Investment property should bring benefits rather than headaches. Here John McGrath highlights properties to avoid.

Despite all of its advantages, residential property investment is not a foolproof way to make money. You need to develop an understanding of the market, do your research, buy the right property and be patient while you let the capital growth take effect.

As capital growth is always the priority, the most important decision is which property to buy. While it’s important to identify a good investment, it’s equally as crucial to be aware of properties to avoid.

‘Bargain’ second-tier city locations

You’ll sometimes see ads for apartment blocks targeted at investors. On paper they sound great – brand new, two bedrooms, two bathrooms, balcony, security car space, inner-city location, $400,000. The pricing is very keen and it sounds like a bargain, but be cautious. As the adage goes, if something looks too good to be true, it probably is.

Once you get over the lure of the low asking price, you’ll soon realise these blocks are in locations that don’t appeal to owner-occupiers. There will be little growth in the long run. The reason the pricing is so keen is probably because the developer has bought the site cheaply as no-one wanted it; and/or they’ve been able to get away with inferior fixtures and fittings.

Rental guarantees

A rental guarantee is where a developer guarantees a purchaser a certain minimum rent for an initial period. The developer will subsidise any shortfall from the guaranteed amount. You’ll see a big headline in the ad: ‘Guaranteed 7% per annum for the next five years’.

Rental guarantees are often used by developers to justify inflated prices. It’s not uncommon for the rent to drop when the rental guarantee period expires, leaving you with a big hole in your budget. At that point you have to live with the market rent and make that cash-flow work.

My view is that an investment property should be able to stand on its own two feet.
If someone has to guarantee the rent, then it’s probably not a sustainable, realistic rent. This means you’re probably paying a premium price based on that. I’m a great believer in just letting the market rent flow through.

Serviced apartments
Serviced apartments are a bit like hotel suites without the room service or house-keeping. They’re popular with business people and holidaymakers for short or long stays. Investing in a serviced apartment carries a lot more risk than buying a house or an ordinary apartment. You’re relying on the operator to get it right; and on the tourism and business markets to remain strong. With ordinary apartments and houses, there’s always demand from people wanting to rent.

By definition, the re-sale market for serviced apartments is confined to investors so you’re restricted to a much smaller re-sale market. Since growth generally comes from owner-occupiers, if you buy a property that can only ever be used as an investment, it’s not going to have the same growth potential either. The market for serviced apartments is still largely untested in most parts of Australia.

Refurbished commercial property
A building purpose-built for commercial or industrial use doesn’t always work well as a residential space. Compromises often have to be made with floor plans, leaving apartment owners with unworkable rooms and wasted space.

In addition, the biggest problems I’ve encountered with owners’ corporations have arisen from structural defects in retro-fitted commercial buildings. They all look great on day one, but after a couple of years they’re often beginning to show problems. There’s been a lot of structural cracking in the walls and ceilings, and I’ve known of a lot of buildings with major leaks.

Company title apartments
Company title buildings often have by-laws restricting owners’ rights to rent their apartments, ranging from a total prohibition to the prospective tenants being vetted by the owners’ committee. With so much strata-title property to choose from, there’s no need to put yourself in a position where you have to jump through hoops each time you are seeking a new tenant.

These are the big ones to avoid. As always, I also recommend trusting your instincts when looking for an investment property – if something doesn’t feel quite right, make some further investigations or simply walk away. A quality investment is worth waiting for.
Luke Nguyen is chef and co-owner of Red Lantern restaurant, in Sydney.
As a chef, author and television personality, Luke Nguyen delights in sharing the wonders of his family’s homeland – Vietnam. Here he reveals his favourite things to see, eat and do in the vibrant capital city of Hanoi and beyond.

Ask chef and author Luke Nguyen where his passion for cooking comes from and he refers to the many hours spent helping out his parents in their small Sydney restaurant.

“My Mum and Dad sold traditional Southern Vietnamese dishes from their hole-in-the-wall restaurant in Cabramatta [Western Sydney],” recalls Luke, who was born in a Thai refugee camp after his family fled war-torn Vietnam in 1977 and eventually made their way to Australia. “I helped in the restaurant after school and it gave me a passion for cooking that grew stronger over the years.”

After gaining experience in several high-end Sydney kitchens when he finished high school, Luke wanted to get a “worldly perspective” on life.

“I went backpacking and, after visiting 14 countries and doing what I set out to do, decided it was time for me to head home and start my own business,” he explains.

Aged just 23, Luke joined forces with his long-term partner Suzanna Boyd, his sister Pauline and her husband, chef Mark Jensen, to open Red Lantern – a 50-seater restaurant set within a terrace on Crown Street, in the buzzy Sydney suburb of Surry Hills.

“Our menu is traditional regional Vietnamese. When we first opened the style was more Southern Vietnamese, but that has changed over the years because of my travels,” says Luke, who typically visits Vietnam twice a year.

In the 10 years since Red Lantern opened, Luke has attracted a loyal following, produced several cookbooks and taken SBS viewers on inspired culinary journeys via Luke Nguyen’s Vietnam – a two-season series whereby he unearthed the finest local flavours and dishes.

“Visiting Vietnam regularly makes it easy for me to stay inspired,” adds Luke. “As soon as I land in the country I go straight to the markets. I’ve spent time learning age-old recipes from street vendors and villagers – these are the experiences I value the most and always try and seek out.”
We asked Luke a few questions about travelling in Vietnam...

When you visit Vietnam do you always go back to the same places?
No, I tend to travel around. Last year I spent time in the northern part of the country, travelling from Hoi An to Hanoi, then Halong Bay and Sapa. I really enjoy the buzz of Ho Chi Min City and I love Hoi An for the food. Hanoi is fantastic for the French influences, and to really relax and do nothing I highly recommend Phu Quoc Island – it’s an untouched paradise just 50 kilometres from the mainland!

Where have you spent the most time?
Hanoi is my favourite city. The French influences make it really unique, and there are so many great cafés, restaurants and street stalls.

What would you suggest first-time visitors to Hanoi see and do?
The first thing to do is to just take a walk around and absorb the culture. Spend half a day wandering around the Old Quarter, which is filled with beautiful French Colonial buildings – the narrow streets and lanes here are named after the things that used to be sold in the street, so you’ll see signs for Hat Street and Silver Street.

A visit to the peaceful Temple of Literature is a must and if you want to know more about Vietnamese history go to the Hanoi Fine Arts Museum.

Definitely get up early one morning and go to Hoan Kiem Lake, in the Old Quarter. You’ll see hundreds of people doing Tai Chi and martial arts, and ladies dancing with fans. You might even spot the giant turtle that lives in the lake.

If the heat gets to you, head to Bia Hoi Corner, in the Old Quarter, in the early afternoon. Bia hoi [fresh beer] is made locally each day and you’ll find it at this busy intersection – it’s a great place to watch the world pass by.

I love the coffee in Hanoi – it has a strong, nutty and caramel flavour, and the locals add yoghurt. If you visit St Joseph’s Cathedral you’ll discover lots of great cafés selling good coffee nearby.

Describe your favourite Vietnamese dishes.
I love the traditional dishes, like catfish and snakehead, handmade tofu, steamed buns and pork patties char-grilled with pork belly. For a real foodie treat, stop and watch the street vendors making their specialty dishes. Pho [Vietnamese noodle soup] originated in Hanoi and you can’t leave the city without trying the real thing!

What makes Vietnam a great family holiday destination?
The people of Vietnam find people from other cultures really fascinating, so they are always very friendly and welcoming, and they love children.

What inspired your latest cookbook – The Songs of Sapa?
The Songs of Sapa [Murdoch Books] is my tribute to Vietnam’s diverse regional cuisine. To write the book I travelled with my partner Suzanna to the northern highlands of Sapa, then south to Hanoi, down into the central regions and to the coast. When Suzanna headed home I went south to Saigon and met up with my parents to visit family and friends. The recipes in the book cover every region we visited – it’s all about sharing the stories and strong food culture that make Vietnam so special.

What do you typically bring back from Vietnam?
A wealth of knowledge and inspiration – for me Vietnam is all about the food and getting to the heart of the culture. During my last couple of visits I’ve been looking at different cooking utensils. On my last trip I brought back some big pots to make noodles, and a tofu press handmade from wood, which allows me to make my own tofu in 10 minutes. Making my own base ingredients is something I hope to be doing more of! 😊
TRIED & TESTED

Luke’s favourite Hanoi dining spots include a mix of traditional street stalls and upmarket restaurants:

- **Bun Cha**: 1 Hang Manh Street
- **Banh Cuon Non**: Hanh Coc Street
- **Highway 4**: 5 Hang Tre Street
- **La Verticale**: 19 Ngo Van So Street, www.verticale-hanoi.com
- **Madame Hien**: 15 Chan Coam, www.verticale-hanoi.com
- **Metropole Hotel**: 15 Ngo Quyen Street, www.sofitel.com
- **Pho Ly Quoc Su**: 2 Ly Quoc Su Street
- **Quan An Ngon**: 18 Phan Boi Chau
# DIARY 2012

Click on titles for course outline, agenda and registration details.

<table>
<thead>
<tr>
<th>May</th>
<th>June</th>
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<tr>
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</tr>
<tr>
<td>16-17</td>
<td>13-14</td>
<td>25-26</td>
<td>14</td>
<td>16-20</td>
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<td>AAPM Private Practice Comprehensive Sydney</td>
<td>AAPM Medical Practice Business Planning Sydney</td>
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<td>Dermatologists (ACD) Practice Succession &amp; Transition Planning Sydney</td>
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Friday 18 - Sunday 20 November 2011

The Private Practice 'Comprehensive' Sydney
Friday 11 - Sunday 13 November 2011

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EVENTS

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Friday 25 - Sunday 27 November

The Private Practice ‘Comprehensive’ Sydney
Friday 11 - Sunday 13 November 2011 continued
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The Australian Unity Healthcare Property Trust is now seeking to raise $28.9 million to support the funding of three expansions of existing assets – The Valley Private Hospital, Peninsula Private Hospital and Beleura Private Hospital.

Having successfully raised $21.1 million in a priority offer to existing investors, a second offer is now available to new and existing investors.

With 22 healthcare-related properties across four states – VIC, NSW, SA and QLD – the Trust is uniquely positioned to capitalise on Australia’s growing healthcare needs.

About the Offer

- 7.5% discount to the Trust’s unit (mid) price at 29 February 2012
- Applications will be filled on a ‘first in, first served’ basis
- The Offer will close at 3.00pm, 25 May 2012, (Melbourne time), or earlier if the full amount is raised
- Applications are to be completed via the Product Disclosure Statement for the Offer.

Healthcare Property Trust - Wholesale Units (as at 29 February 2012)*

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To take advantage of this limited offer, either speak to your financial adviser, call 13 29 39, or visit australianunityinvestments.com.au/HPTOffer

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