Edition 2

Successful People

AUSTRALIAN FINANCIAL SERVICES

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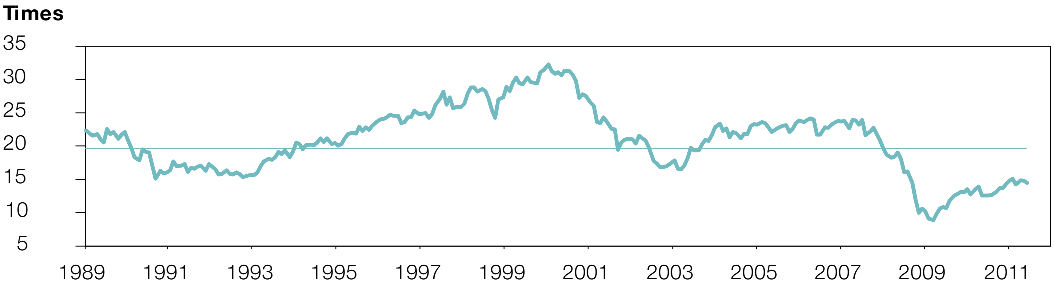
Market outlook

The optimism that drove global share markets higher over the first few months of 2011 has now given way to rising anxiety. This has been driven by disappointing US data, seemingly intractable debt problems in Europe and concerns over the size of the potential slowdown in China. For local investors, there is the added concern over the impact of the high Australian dollar on corporate earnings and uncertainty about the extent of further RBA tightening, as well as rising policy uncertainty around the impact of carbon and resources taxes. When it's all said and done, the 2010-11 financial year has been a bumpy ride for Australian investors. However, it's important to remember that the current swings in market sentiment are not unusual as we enter the third year of a recovery phase.

Two steps forward… one step back!

World Equities P/E ratio based on 5 - year average inflation adjusted EPS



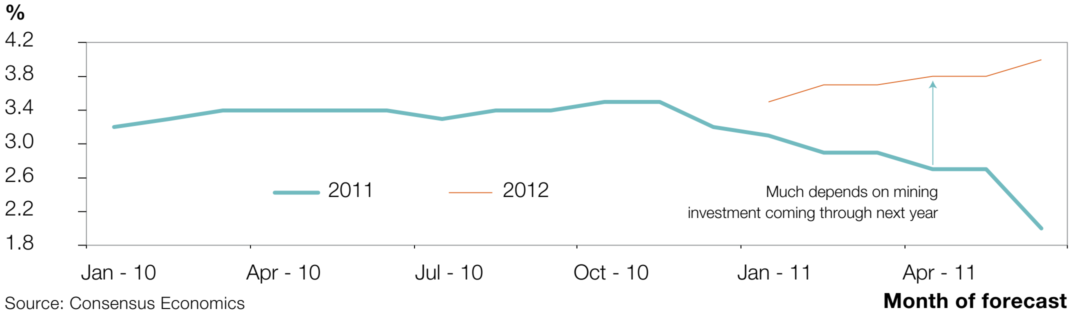
Source: MSCI, I/B/E/S, Russell calculations

The start of a new financial year is a good time to take a breath and look back at how the markets fared over the past 12 months. The S&P/ASX200 finished in positive territory for the second consecutive year. Once dividends are factored in, stocks returned over 11% for the year, just ahead of the average over the past 30 years. A solid outcome in a year of heightened uncertainty and volatility as the 'risk on/risk off' story continues. However, the Australian share market has significantly underperformed its global peers over the past year, with developed markets such as the US and Germany rising by over 20%, leading the emerging markets which were more mixed following the strong gains of 2009-10. Despite this, global equities valuations remain reasonable (on a price-earnings basis) and are still below long term averages.

The recovery in shares is now more than two years old and with the local market now up over 46% since the GFC lows of March 2009, further gains will be much harder to come by in the period ahead. Local investors are now also at the point in the cycle where share market valuations and economic trends are not always clear. Weighing on investor's minds at present are the following key issues:

- The two-speed Australian economy (mining vs non-mining)
- Continued policy uncertainty around the Gillard government's Carbon Tax and Resources Tax approach and what this means for various industries
- Chinese growth outlook and policy response
- Various scenarios surrounding the Eurozone debt crisis
- Concerns about the health of the US economy and what this means for global growth
- Impact of the high Australian dollar on corporate earnings and the prospects for further RBA tightening (does the mining sector 'boom' drive rates higher and crush the non-mining parts of the economy altogether?)
- Will the expected 60% increase in mining sector investment actually materialise next year – or will capacity constraints mean growth/earnings forecasts disappoint on the downside?

Consensus Australia GDP Forecasts

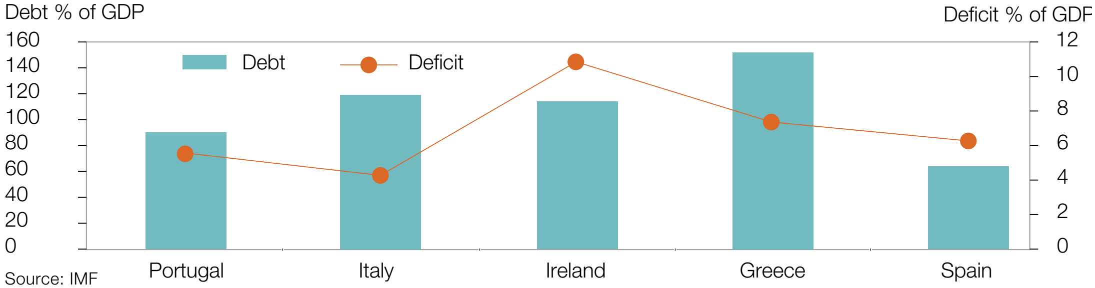


Source: Consensus Economics

The division in Australia between mining and the rest of the economy is widening as economists continue to be bullish on the outlook for the mining boom, with the sector heralding $83billion worth of projects for 2012. All other data indicates the remainder of the economy is struggling. GDP forecasts for the remainder of 2011 continue to be downgraded while projections for 2012 are being upgraded as a result of a massive pipeline of anticipated mining projects. This poses a risk that GDP forecasts for 2012 may prove over-optimistic given the risks to commodity prices and ongoing weakness in the non-mining economy.

Turning overseas, while US economic data continues to oscillate between good news and bad, the general trend is toward slowly building a solid footing for sustained recovery. On the other side of the Atlantic, the Euro-zone debt problems continue to look intractable. Greece remains the main focus, but there has been little headway in dealing with solvency issues in Ireland and Portugal. The only sustainable solution appears to be a debt restructuring framework (e.g. development of a Pan-European bond backed by assets from a European Stability Fund) which could also give the European governing authorities more say in how member nations conduct their fiscal policy, not just their monetary policy. The incentive for policy makers is to apply enough emergency funding to push the issue far enough into the future to a time when Europe's banks are financially strong enough to manage any losses. 'Muddle-through' looks the most likely scenario and the risk of a Lehman-like calamity appears low.

Government Debt & Budget Deficits % of GDP



Source: IMF

In China, two issues are coming into sharper focus. The first is the short term issue over whether the economy is overheating and if the monetary policy tightening measures so far are having an impact. The answer looks to be that China's long-awaited slowdown is now underway. A range of indicators suggest the economy has lost momentum. The second longer-term issue concerns the viability of the massive quantity of investment projects brought on-stream over the past few years. These projects have been approved and funded at artificially low interest rates (thanks to government pump-priming and exchange rate stability measures). The question going forward is will the economic return on these projects match the lofty profit expectations when growth slows and interest rates start to rise. The answer will go a long way to determining if China is in for a soft or hard landing.

All of this points to continued volatility in global markets for the year ahead. Though equity markets are generally expected to provide modest gains, the potential for periodic shocks along the way remains high. In this "two steps forward, one step back" environment it is important for investors to stick to their investment strategy and not get whipsawed by making knee-jerk reactions to headlines and market 'noise'. Those with sufficient discipline and structure in their overall strategy will be better able to ride out the ups and downs and keep on track to achieving their financial goals.

Article supplied by Scott Fletcher,
Investment Specialist, Russell Investments
Visit www.russell.com/au for more information

Article supplied by Jennifer Boland

An Amazonian strength; the story of Jennifer Boland

Inadequate resources, the family / career balancing act, the rate of relationship break down and women's longer life expectancy combine to create a perfect storm of financial vulnerability for too many Australian women.

Launching the AFA Female Excellence in Advice Awards in Sydney recently, lawyer, Family Court Judge (retired) and University Professor, Jennifer Boland, recalled her own story about the challenges of overcoming adversity and achieving financial security.

> Half of women between 45 and 59 have less than $8,000 in superannuation.

> 45% of the workforce is female (ABS) yet only 17% of TOWER Australia's Income Protection policies are held by women.

> 58% of all Age pensioners are women. 74% of single age pensioners are women.

Jennifer's story.

In my role as a judge of the Court, I saw first-hand how many women either had no superannuation, life insurance or financial planning for the future, and just how vulnerable many of those women were at the time of relationship breakdown. Many who had not worked, or worked up until the birth of their children and had received quite significant property settlements were ill equipped, simply by lack of experience and expertise to plan for their future.

My own life story, although not completely typical of many women who now bear the title "baby boomers" will probably strike a chord of resonance with many women.

I left school at 14, with an "exemption" and with the Intermediate Certificate. My family couldn't afford to keep me at school, and my father held the belief that girls got married and for that reason, didn't need an education, but I had other ideas!

My real education commenced at Sydney Tech, where I completed my secondary education as an evening student, while working as a secretary during the day.

I set my sails for university, but was diverted by marriage at 21 to Rob. My eldest daughter Rosemarie was born the following year. When she was six weeks old, Rob was diagnosed with testicular cancer. Sadly he passed away when she was only 14 months old. At the time of his death, I had $90, no job and a child to care for. Although contributions had been deducted from Rob's salary, State superannuation had not decided whether they would accept or reject Rob into their super scheme. Ultimately I received "limited" benefits of $11 per week from Rob's superannuation, which equated to $9 for Rosemarie and $2 for me.

I decided that I needed to work and not live on social security. Back then my decision to work was not seen as an appropriate choice by many commuters, as I struggled onto peak hour buses with a toddler. At that point in history, the expectation was that women with little children should have been at home.

Throughout my working life, I was fortunate to have many male mentors. A doctor that I worked for introduced me to a barrister who needed secretarial help. The barrister encouraged me to do law, which I did in four years of evening study while working by day.

At the age of 38, I had no savings, no super and no certainty of a career. When I pursued work as a solicitor I was told, “you’re middle-aged, a woman with children; you probably won’t get a job.” However, I commenced work and became a partner of the firm in four years. I practiced in product liability and family law, as well as approving TV commercials and Women’s Weekly advertisements for 20 years. In 1988, I made a major career move to Corrs Chambers Westgarth, became a partner and started on the road to independent financial stability.

Thanks to mentors and hard work – despite juggling school functions and “I need a cake tomorrow but I forgot to tell you” demands, my practice developed. I became involved in professional activities and community extra curricula’s, including the Law Council of Australia Family Law Section, chair of the Family Law Council and an appointment as an acting judge in the District Court. My early life experiences stood me in good stead when in 1999, I became a judge of the Family Court, where compassion and understanding, not just legal knowledge are essential qualities. In 2004, I was appointed a member of the appeal division of the Court, which essentially interprets how family law is applied in Australia. Today I am carving a new niche in my “post retirement” phase, on a challenging learning curve as Professor of Law at Sydney University and sitting as a presiding member on the Guardianship Tribunal.

From my experiences, I think often women are so busy juggling work and family responsibilities, they simply do not make time to plan for their own future. Therein lies the greatest challenge, how do we encourage women to plan for their future?

The AFA Female in (financial) Advice Award is an industry-wide program designed to address the gender imbalance in Australia’s underinsurance and retirement savings. www.afafemaleadvice.com

Article supplied by Jennifer Boland care of Tower Australia Visit www.toweraustralia.com.au for more information

The real value of insurance

Protecting your family is vitally important, yet many people fail to determine how they will provide for their loved ones in the event of severe misfortune writes Tim Browne, General Manager of Retail Advice at CommInsure.

For many people, particularly the young, there is no obvious or immediate benefit associated with life insurance. Consequently, a significant number of people underestimate the value that this type of protection offers and they fail to take out cover. However it's vitally important that families are protected should the unthinkable occur. Therefore, life insurance should be a key consideration, especially if there is only one income stream in the household.

Australians are very reliant on their income and often underestimate the difficulties they would face, if adverse circumstances arose and they were forced to live without a regular inflow of funds. In fact, Australian families need approximately 35 percent of their income to pay their home loan and, around 23 percent of an average family's income is required to raise two children.

Importantly, protecting your family has over time, become increasingly more affordable. Premiums have fallen by an average of 3.5 percent per annum and during the same period, the Consumer Price Index (CPI) has increased by approximately three percent per annum. In addition, there are various methods and strategies that can be used to further reduce the price of protecting your family.

For instance, many people don't realise they can use their superannuation guarantee or existing account balance to fund their insurance. Superannuation can also be a useful temporary measure to ensure you have some insurance coverage in place; however, it is preferable that individuals or families take out the appropriate insurance, so they can ensure their superannuation retirement savings are not adversely impacted over the long-term.

Furthermore, life insurance in an individual's superannuation policy can lower the effective cost of insurance for some people. If you earn less than $61,920 per annum and make a personal after-tax contribution to superannuation, you may be eligible to receive a Federal Government co-contribution payment.

Additionally, if you are an employee you can pay your premium using before-tax dollars through salary sacrifice by having insurance in superannuation. This approach can deliver significant savings; however, it requires an effective salary sacrifice agreement to be in place, where salary sacrifice payments are prospective. Also, you must check that you are able to salary sacrifice via your employer.

Insurance options

Income Protection

What is it?
Payable if someone is unable to work at full capacity (or at all) due to sickness or injury.

Who needs it?
Anyone who would find it difficult to maintain their lifestyle without their regular income.

Trauma

What is it?
Payable if someone suffers a specified medical condition.

Who needs it?
Anyone who would like security of payment in the event they suffer from a debilitating medical condition.

Term Life

What is it?
Payable on a person's death / terminal illness.

Who needs it?
Anyone who has debts or dependants.

Total & Permanent Disability

What is it?
Payable when someone is unable to work again due to sickness or injury.

Who needs it?
Anyone who has debts or dependants.

For the self-employed, having life insurance through superannuation may also reduce the effective cost of insurance. Self-employed people may be eligible to claim a tax deduction for contributions up to the relevant concessional contribution cap ($25,000 for the 2010/2011 financial year). In addition, if they have a total income of less than $61,920 per annum they may be eligible for a Federal Government co-contribution if they make a personal after-tax contribution. In fact, some people use these strategies together.

Other money saving options include paying premiums annually, saving eight percent each year compared with accumulated monthly payments.

Recent natural disasters have made many individuals more aware of how important it is to protect their assets. This means they must have life insurance protection and that they need to maintain adequate cover, so that they are confident their family's financial future is protected.

Sources:
Real Estate Institute of Australia, Affordability plummeting, more pain to come, 27 August 2007.
MP.NATSEM Income and Wealth Report, Issue 25, April 2010
ABS – Australian Historical Population Statistics (3105.0.65.001)
ABS – Deaths, Australia (3302.0)

Article supplied by CommInsure
Visit www.comminsure.com.au for more information

Second marriage? What are the estate planning implications?

Getting married, even if it's for the second time is a happy time, but it does present some financial planning challenges.

"Second marriages present some complex and contentious estate planning challenges", says Sam Rubin, Head of Techconnect at IOOF.

While many partners in a second marriage want 'their' estate to be passed on to their own rather than their partner's children, most do not take steps to ensure that happens. As a result, adult children from the first marriage often feel threatened by the second marriage and this can be a common source of dispute.

Feeling that their 'rightful' inheritance from their natural parent will be taken away from them and given to their step brothers and sisters often results in real tension between rival siblings, both before and after death.

> “You should ensure your surviving partner and any children from your second marriage will continue to have adequate housing.”

A vital first step to ensuring that assets are appropriately distributed is to have a Will in place. But it’s important to remember that marriage revokes any existing Will. So there is a real need to review your Will if you remarry.

The following are some of the issues you may need to address when making a Will:

- You should ensure your surviving partner and any children from your second marriage will continue to have adequate housing, but at the same time ensure that the children from your first marriage are adequately provided for.
- Ensure that, where provision has been left for your partner to continue to occupy the house after your death (often dealt with in the form of a right to occupy as distinct from transferring legal ownership in the house), adequate provision in the Will is also made to allow the house to be sold and provide aged care accommodation for your partner in the future. If the Will does not allow this, it may be necessary to apply to a Court for an appropriate order.
- Where you and your second partner’s assets are owned jointly and pass to the survivor on death, you should ensure that your half share will eventually pass to your children and not end up in the hands of step children.
- Review the manner in which you own assets to ensure that they will be disposed of according to your wishes.
- Check how your superannuation will be paid out on your death. There are very specific rules that govern the distribution of superannuation, so your superannuation nominations should be reviewed upon a second marriage.

Setting up a family trust is one way to isolate assets from the estate and potentially avoid these pitfalls.

Establishing a Testamentary Trust within the Will can also provide you with some flexibility as to how to deal with assets to provide for both a partner and children from your first marriage.

For more information on how to make sure your assets are distributed according to your wishes and your family’s and children’s futures are protected, speak to your financial adviser or a specialist estate planner.

Article supplied by IOOF
Visit www.ioof.com.au for more information

> “Setting up a family trust is one way to isolate assets from the estate and potentially avoid these pitfalls.”

What to do when you've paid off your mortgage

Once you've paid off your mortgage, you'll have some spare money. But do you know what you're going to do with it?

The first thing you want to do is to make sure you use your spare money effectively. Now that the mortgage has gone, your circumstances have changed considerably, but have you reviewed your financial goals and needs? What's going to be the most effective way to achieve those goals?

Whether you're considering creating or increasing your investment portfolio or buying an investment property, you need to be sure that you've thought about all your options.

While using your extra money to invest in another property or shares is one option, you could also consider boosting your super. If you're not already making personal contributions, you could consider using a salary sacrifice strategy to pay the equivalent of your mortgage repayments into super and take advantage of the low tax super environment.
But remember that the amount of concessional contributions you can make to your super each year has been reduced to $25,000 per person ($50,000 if you are aged 50 or over) for 2010/11. You also need to consider that, from 1 July 2009, any amounts you contribute to your super using a salary sacrifice strategy will now count towards your assessable income for the purposes of your eligibility for any Centrelink entitlements.

The right advice can make a difference

Everyone's financial needs and goals are different and it's worthwhile seeking professional financial advice before you make important financial decisions. Your financial planner can give you advice on tax-effective superannuation or asset protection strategies, help you make sure your retirement plans are on track or help you with your estate planning needs.

Article supplied by IOOF
Visit www.ioof.com.au for more information

Preventing relationship ruin

Have you ever wondered how relationships with family, friends and/or a partner can sour over time? Would you like to learn how to avoid ruining any relationship and getting your existing relationships with your partner, family and friends back on track?

Associations and Meanings

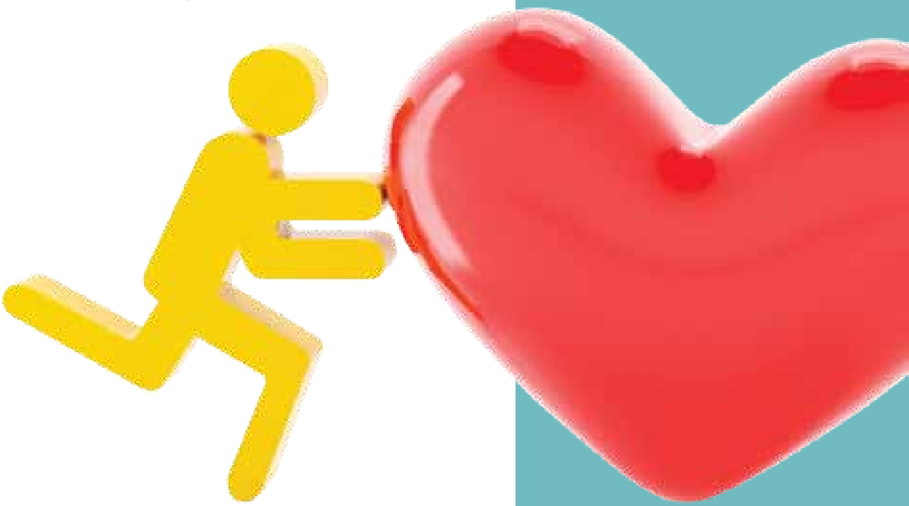
As we relate to our partner, family and friends, we are unconsciously forming associations and meanings in our brain. Some of these associations and meanings are positive and others can be negative. For example, as you think of a family member, a friend or a partner right now, do you have a positive image or feel positive feelings about that person? If so, then you have probably created a positive association with them. Or as you think about that person, do you feel angry or any other negative emotion, or do you have a negative image? If so, then you have may have unconsciously created a negative association with that person. One sure fire way to ruin any relationship is by having too many intense negative associations with another person.

Creating Positive Associations

The best way to avoid creating a negative association in the first place is to be aware of how you are now relating to your partner, family and friends. Do you complain every time you come home from work and speak with your partner? Are you usually frowning around friends? Is your energy and mood low around family members? Do you often use a commanding or demeaning tone of voice with loved ones?

Instead, here is a simple process to help you to create positive associations with other people:

1. Decide on the positive association and positive feeling you want to have with that person e.g. fun, confidence, etc.
2. Decide on how you want to create that positive association with them e.g. facial expression, a pleasant tone of voice, etc.



3. Next time you are with that person, make sure that you create that positive association between you and them by using your chosen facial expression, tone of voice, etc. Also make sure that you are in the same mood that you want the other person to be in (e.g. fun).

4. Repeat this positive association every time you are with that person and each time you would like to reinforce the positive feeling between the two of you.

If you currently have any negative associations with other people, stop adding to them now. Depending on how intense the negative associations are, you may need to create stronger positive ones that outweigh the negative. With your partner, if you want to only have a positive association to the bed (e.g. intimacy) make sure that you make it off limits to fight or discuss problems in bed. If past family events and holidays were boring or challenging, start to inject some fun and adventure at those events instead.

Enjoy and have some fun creating positive associations with your partner, family and friends and watch your relationships with them blossom.

Dr. Vesna Grubacevic is a Performance Transformation Expert™ with Qt. She is an internationally recognised and certified NLP Trainer and holds a PhD and BEc.
For more strategies on how to live a happier and more fulfilled life visit www.qttransformation.com.

Live well, eat well

Thai sesame stir-fry

Serves:	4 people
Preparation time:	25 mins

Nutrient Analysis (Per serve)

Energy:	1360 kJ (325 kcal)
Carbohydrates:	52.0 g
Protein:	9.0 g
Fat:	8.0 g

Ingredients

1 tsp sesame oil
1 clove garlic, chopped
1 cup green beans, halved
125g baby corn, halved length ways
5 shallots, sliced
1 red capsicum, sliced
½ cup bean sprouts
2 tbsp chopped fresh coriander
2 tbsp vegetarian oyster sauce
(or 1 tablespoon soy sauce)
2 tbsp sweet chilli sauce
1 tbsp sesame seeds

Method

Heat oil in a wok or frypan. Stir-fry garlic for a minute. Add beans, baby corn and stir-fry for 2 minutes.

Stir through shallots, capsicum and bean sprouts. Stir-fry for 2 minutes or until cooked.

Add coriander and sauces and stir through. Sprinkle with sesame seeds. Serve over steamed rice.

Hint

You can replace the vegetarian oyster sauce with only one tablespoon normal oyster sauce.

This recipe was supplied by Asteron Life!
Visit www.asteron.com.au/asteron-life/ for more information.

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