

# Financial Planning NEWS



**Chifley**  
Financial Services

Chifley Financial Services – December quarter 2009

**Welcome**

**In this issue of Financial Planning NEWS you will find information on:**

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- > **The importance of estate planning**
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## The markets

**Daniel Park**  
Investment Director



In September 2008, the bankruptcy of Lehman Brothers transformed the financial world. Panic ensued, triggering a run on money-market funds and financial institutions. The global financial crisis has been widely analysed and I won't revisit it here but it is worth remembering how dramatic and severe the crisis was and how close the world financial system came to breaking down.

More than twelve months on from that shock, a number of closely watched indicators have returned to more normal levels: credit markets have started to flow; commodity prices have risen; goods and capital are both flowing more freely once again through the global economy. All this as a result of a globally coordinated government response using all the necessary monetary (interest rates) and fiscal means (essentially government spending or tax cuts) they could muster.

Share markets here and overseas have also recovered from the lows they reached in March 2009. For example, the Dow was up 60% from its March low as at the end of November 2009. The gains we have seen so far can be split into two phases. The initial gain in share markets was the result of the market coming to the view that the world economy was more likely to suffer a recession rather than the expected global depression. From there, a combination of government spending, tax cuts and falling interest rates along with corporate cost-cutting led to an improvement in the prospects for company earnings and this spurred the second leg of the rally. In Australia, the unemployment rate has stabilised at a much lower rate of 5.8% than the 8.5% first anticipated and our resource exports to Asia, as well as commodity prices for those exports, have significantly increased. The RBA has raised interest rates for a record three consecutive months from October this year to 3.75% in December on the back of the improved economic outlook.

The recovery so far is welcome but looking ahead into 2010 we see considerable headwinds that may constrain further economic growth. The share market is in essence a forward looking indicator and its value is based on future expectations of corporate earnings. At current share market levels much of the good news seems to have already been allowed for.

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**We can help you with more than just your pension**

- > Looking for advice about investing? **We can help you.**
- > Are your family members looking for a flexible home loan? **We can help you.**
- > Looking to create an estate plan to protect your assets in the event of your death? **We can help you.**

Call **1800 800 002** for more information.

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In order for the markets to move higher company earnings will need to start growing again. For this to happen consumers will need to start spending again on goods and services. However, there are several factors that are likely to discourage consumers from spending. First, the increase in unemployment around the world or the fear of becoming unemployed has put a dampener on people's willingness to spend. Second, in the US and parts of Europe we have seen a significant fall in residential property prices and the ability of homeowners to use that equity (which contributed to much of the spending in the recent past) has decreased significantly. Third, financial institutions have suffered significant losses from bad loans and as a result they are lending less and have also made their lending standards more stringent. This has led to businesses cutting back on purchases of new plant, equipment and inventory which all contribute to economic growth.

What this all means is that there needs to be further evidence of stabilisation in unemployment and positive economic growth feeding through to corporate revenues. With the unemployment rate and government debt in the US and Europe at elevated levels and consumers still struggling to reduce their own high levels of personal debt most indicators point to subdued consumer spending and lower corporate profits in 2010. Our view is that 2010 will be a tough year with most of the positive sentiment driven by the more favourable economic outlook for the Emerging Markets and in particular Asia.

## The importance of estate planning



There are two certainties in life: death and taxes. But sometimes, with some estate planning, you can reduce the chances of them happening together.

Australia doesn't have a death duty and superannuation death benefits are tax-free when paid to dependants, such as your spouse, children under the age of 18 and individuals (including adult children) who are financially dependent upon you or who have an interdependent relationship with you.

But superannuation death benefits are not tax-free if left to non dependent children - that is, those over 18 who may have moved out of home, earning their own keep or can't prove they were financially dependent on you. They may have to pay tax of 16.5%, or even 31.5% if the benefit contains an insurance payout.

With some estate planning, however, various strategies can be applied to minimise the tax paid by adult children.

One, for example, is to withdraw your super tax-free before you die and give it to your non-dependent beneficiaries. Another is to have two super accounts and leave the one with taxable benefits to your dependent heirs and the other one to your adult children. Still another, if you are over 60, is to use a withdrawal and re-contribution strategy, where you can withdraw your benefits entirely tax free and then re-contribute them back as a tax-free contribution between the ages 60 and 65.

The best solution will differ from person to person and the way to find the right solution for you is to talk to one of our qualified financial planners who can be contacted on **1800 800 002**.

# What's on in NSW?



## Music in the Gardens

**When:** Each Friday in February and first Friday in March 2010  
**Where:** Botanic Gardens Yellowbox Way (off Hill Street)  
**What:** Local musicians and ensembles perform within the grounds and thematic gardens.  
**Find out more:** Call 02 6361 7974 or visit [www.orangecon.org.a](http://www.orangecon.org.a)

## Bungendore Country Muster

**When:** 26-10 February 2010      **Where:** Showground, Racecourse Road, Bungendore  
**What:** A festival celebrating Australian bush ballads.  
**Find out more:** Phone: 02 6238 0224 or visit Website: [www.bushballadeers.com.au/bungendore.htm](http://www.bushballadeers.com.au/bungendore.htm)

## Australian Blues Music Festival

**When:** 11- 14 February 2010      **Where:** Various locations around Goulburn  
**What:** A showcases of the very best of emerging and established Aussie blues talent.  
**Find out more:** Visit [www.australianbluesfestival.com.au](http://www.australianbluesfestival.com.au)

## Highlands Steam and Vintage Fair

**When:** 19- 21 February 2010      **Where:** Lowes Mount Road, Oberon  
**What:** Caters to all steam traction engines, classic trucks, cars, bikes, military vehicles, tractors, vintage farm machinery, hot rods, oil engines and small heritage collections.  
**Find out more:** Visit [www.HighlandsSteam.org.au](http://www.HighlandsSteam.org.au)

## Hyne Tumbafest

**When:** 27- 28 February 2010      **Where:** The Creekscape, Tumbarumba  
**What:** A weekend celebration of food, wine and great entertainment.  
**Find out more:** Visit [www.tumbafest.com.au](http://www.tumbafest.com.au)

## Week of Speed Festival

**When:** 12- 13 March 2010      **Where:** Various locations around Gunnedah  
**What:** See go karts racing, 1/8th mile drag racing, burn out competitions, motorcycle racing, speedway racing, horse and dog racing, athletic events and novelty events.  
**Find out more:** [www.weekofspeed.com](http://www.weekofspeed.com)    **Entry is free!**

## Blue Mountains Music Festival

**When:** 12- 14 March 2010      **Where:** A variety of venues in Katoomba  
**What:** A three day festival of folk, roots and blues music, featuring selected artists from around the world and across Australia.  
**Find out more:** Visit [www.bmff.org.au](http://www.bmff.org.au)

## Coolah Jazz in the Tops

**When:** 12- 14 March 2010      **Where:** Coolah Tops National Park, Coolah.  
**What:** A weekend of jazz amidst the snow gums and spectacular views.  
**Find out more:** Email [info@jazzinthetops.com.au](mailto:info@jazzinthetops.com.au) or visit [www.jazzinthetops.com.au](http://www.jazzinthetops.com.au)

## Mid North Coast Dragon Boat Regatta

**When:** 13-14 March 2010      **Where:** Manning River Rowing Club Endeavour Park, Taree  
**What:** Dragon Boat Regatta for the local teams plus sporting clubs on the North Coast.  
**Find out more:** visit [www.dbnsw.org.au](http://www.dbnsw.org.au)

## Norman Lindsay Festival of Children's Literature

**When:** 20-21 March 2010      **Where:** 14 Norman Lindsay Crescent, Springwood  
**What:** A magical two day celebration of children's literature with a comprehensive program for writers and readers of all ages.  
**Find out more:** Phone 02 4784 3832 or visit [www.nsw.nationaltrust.org.au](http://www.nsw.nationaltrust.org.au)

## You're never too old to learn

It's said that you don't stop learning when you grow older, but you grow older when you stop learning.

Indeed, studies are proving that learning ability does not decline with age and that active learning helps maintain brain health by preventing loss of mental function and cognitive skills such as memory, reasoning and judgement.

While retirees may sometimes use different learning techniques and strategies from their younger counterparts, they may also be far more fortunate – they can follow their passions in learning rather than worry about what will help them build a career.

So, if you have a passion or would like to do a course of some sort, where do you start? Here's a list of just some of the organisations you can contact to find courses in your area:

- ▶ Your local council
- ▶ Universities of the Third Age, or U3As - learning communities for retirees. To find a community close to you, visit: [www3.griffith.edu.au/03/u3a/](http://www3.griffith.edu.au/03/u3a/) or [www.nsw.u3anet.org.au](http://www.nsw.u3anet.org.au)
- ▶ **Courses.com.au** - A directory providing information on a wide range of short courses available within Australia.
- ▶ Wesley Mission's School for Seniors - A school in the Sydney CBD. For more information: Phone (02) 9263 5416 or visit [www.wesleymission.org.au](http://www.wesleymission.org.au)

## Have you been "smished"?

You may have heard of "phishing" - the practice of sending a hoax email to trick you into providing your bank account details. But have you heard of "smishing"? Smishing is where identity thieves use SMS messages to obtain your personal details.

A recent example involved sending text messages that claim your bank account or credit card has been blocked and asking you (either in the text message or through a subsequent recorded message) to provide these details for confirmation so a new card can be sent.

The Australian Securities and Investments Commission provides these top tips to avoid mobile phone scams:

- ▶ Don't give out your number to just anyone.
- ▶ Keep your mobile phone number confidential and share it only with friends and relatives. If you put it on your business card, be careful who you give this to.
- ▶ Be suspicious of unexpected text messages or calls.
- ▶ Check the number before replying to text messages or calls. Not only could these be a scam but some numbers such as those starting with '19' could result in higher charges than normal rates if you respond.
- ▶ Install anti-virus software. Most of the big internet security companies have mobile versions of their software.
- ▶ Scrutinise your bill every month.
- ▶ Watch out for small payments which scammers may try to sneak past you.
- ▶ Don't use your mobile for competition entries or other apparently "free services". If you do choose to do this, make sure you read all of the terms and conditions.

## Seminars



If you haven't retired yet, or your partner is planning to retire, why not attend a free pre-retirement planning seminar? Also, if you have family or friends that you think may benefit, please feel free to invite them along too.

To view our full calendar of forthcoming seminars, visit [www.futureplussuper.com.au/seminars/seminarcalendar.asp](http://www.futureplussuper.com.au/seminars/seminarcalendar.asp)

To attend one of our free financial seminars near you, call **1800 800 002**. Alternatively you can book a seat by emailing: [enquiries@chifley.com](mailto:enquiries@chifley.com). It couldn't be simpler.

## Take advantage of the 5 Star Chifley Home Loan



If you are thinking of moving, downsizing or buying an investment property, why not take advantage of the 5 Star Chifley Home Loan? Or perhaps one of your children or a member of your family is thinking of buying a home?

Despite all the recent uncertainties in the financial markets, a Chifley Home Loan is still rated 5 Star by CANNEX, the independent financial services monitoring agency. This means our mortgage loan offers "superior value", giving you the reassurance that you are making the best possible choice!

Products awarded 5 stars by CANNEX are the best 5% of similar products available in Australia. So when you consider that there are literally hundreds of similar products around, the awards give you the reassurance of knowing that with a Chifley Home Loan you are considering a competitive solution.

There are no mortgage application fees and no monthly account keeping fees. You can make extra and lump sum repayments without any restrictions which allows you to use any extra funds to reduce interest and pay out your loan faster\*.

For more information on these or any of our competitive loans, either call us on **1800 800 002** or visit our website **www.chifley.com**. As you are a member of this Fund, your family members and children are also able to apply for a Chifley Home Loan.

\*Limitations apply to Fixed Rate products. Terms and conditions apply. The credit provider is Select Credit Union Ltd. Fees, charges and all loan details will be disclosed in the loan contract. Some charges such as valuation fees and costs charged by the lender's solicitors are payable. These charges are non-refundable should they be incurred and the loan is not proceeded with. An early repayment fee may be payable. Chifley Financial Services Limited (ABN 75 053 704 706, AFSL 231148) provides services through an agreement with Select Credit Union Ltd (ABN 20 058 538 140, AFSL 238257). Chifley Financial Services does not guarantee the obligations of Select Credit Union Ltd.

## Fair Go Fletcher Jones showcases a range of business and casual pieces for both men and ladies.

Fletcher Jones is pleased to offer a **15% discount on all full retail price items** at all their stores.

Garments co-ordinate back together to create outfits that are classic, with a contemporary twist to ensure that you are up to date with the current trends.

Fletcher Jones can create a look for many occasions. It really is a one-stop shop for your all-year round wardrobe.

To access this benefit please email [fairgo@memberbenefits.com.au](mailto:fairgo@memberbenefits.com.au) for a letter of introduction, which you will need to hand to the Fletcher Jones store staff. This letter contains a special Fletcher Jones customer reference code, which will ensure you receive your discount. Alternatively call Member Services on **1800 067 059** for assistance.

For further information and store locations visit [www.fletcherjones.com.au](http://www.fletcherjones.com.au)

# What's happened in investment markets?

The last quarter of 2009 produced a mixed bag of positive and negative economic data.

In Australia we saw the unemployment rate consistently surprise with jobs being added in September, October and November, contrary to investors that expected net job losses. Retail sales also showed signs of improvement in October after contracting in September indicating consumers are still spending, and news of a 4.2% increase in house prices for the third quarter improved investor sentiment. Commodity prices continued to increase as China leads global growth with their insatiable demand for raw materials.

In the US, the unemployment rate continued to rise, reaching 10.2% in October with 111,000 jobs shed for the month. November, however, produced the first positive job rate in two years when 4,000 jobs were added. December job numbers disappointed, though, with the shedding of 85,000 jobs. As at the end of 2009 the jobless rate in the US remained at 10% but this masked the fact that almost 700,000 jobseekers left the workforce in December. If you add back the 700,000 who left the workforce, then the unemployment rate would rise to 10.4%.

**The market commentary below is provided to give an indication of the various factors affecting the investment performance of individual asset classes. It is based only on the gross performance of the relevant market index and no allowance is made for taxes or fees as they apply in your superannuation investment. It is provided merely as an indication of relative performance between asset classes and should not be used as a measure for judging the performance of your investment strategy.**

## Australian Equities

The most positive news for the quarter was the strong manufacturing numbers as businesses that had ran down their inventories started to rebuild stock as government stimulus continued to support growth.

The fourth quarter return for the benchmark S&P/ASX200 was 3.39%. This followed a third quarter return of 21.5% which was the best 3-month return since the index began in May 1992. The fourth quarter started off weak with October finishing down 2.08%, partly due to some consolidation after the 21.5% third quarter return and some disappointing economic news out of the US. The market rally of the previous two quarters has seen the equity market move from cheap to what we consider to be on the upper band of fair value. Investors are expecting a strong 2010 in terms of corporate profits but much of that has been priced into the market and that leaves greater risk to the downside.

## International Equities

International Equities finished the quarter strong with the MSCI World Index hedged returning 4.89%. Early in the fourth quarter domestic and global third quarter corporate earnings were released and most companies reported better than expected profits. Most of this was achieved through cost cutting as opposed to increased revenues. However, in \$A terms the MSCI World Index returned just over 2% as the Australian dollar continued to rally due to commodity price increases, RBA raising rates and the US keeping rates at a record low level for the foreseeable future.

## Listed Property

The Australian Listed Property finished the quarter down with the S&P/ASX200 LPT Accumulation index returning -5.01%. This follows two quarters of stellar performance, 15.17% in quarter two and 30.45% in quarter three. Australian Listed Property was one of the worst hit sectors falling 75% from its peak in February 2007 to its bottom in March 2009. The initial rally in LPTs was spurred by a global rally in equity markets that began in March 2009 due to the monetary and fiscal stimulus measures enacted by central banks. As the rally gathered pace LPTs were able to raise additional capital, refinance existing debt and strengthen their balance sheets to avoid insolvency. The result was that quarter three ended up delivering the best quarterly return since the index series began.

## Cash and Fixed Interest

The Reserve Bank of Australia raised interest rates again by 0.25% in December which takes the interest rate to 3.75%, a record three consecutive months of interest rate rises. The rate rises were widely anticipated by market participants as the RBA gave indications of removing the emergency rate setting that brought the interest down to a historic low of 3% on the back of positive economic news domestically and importantly from China. Short term money markets rallied with the UBS Bank Bill Rate up 0.88% for the quarter. Bond markets also reacted to the rate rise with yields rising and bond prices falling in October, only to have yields fall back in November and bond prices rise as soft economic numbers lowered expectations of rapid interest rate hikes by the RBA. However, by December strong retail sales and better than expected unemployment numbers saw yields rise again and the UBS Sovereign index finished the quarter up 1.03%.

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\*Bookings are essential.  
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