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Autumn 2008 Newsletter

HOW TO REDUCE DEBT EXPOSURE!

A WORD FROM CHRIS

2008 is certainly looking like an interesting year...

With investment markets sharing negative capital growth, rising interest rates — on the 4th March, the 12th consecutive rate rise by another 0.25% - The cash rate is now 7.25% , the highest its been for some 14years—in 1994 it was 7.50% falling from a high of 17.50 in January of 1990.

So what to do?

There has been much discussion about our current market conditions. Almost every day I read an article about our current market and the consensus is that there are still more volatile times ahead. My view is that this is still short term in the scheme of our future and if we look back over the last 20 years or so, we need to remind ourselves that market volatility is always present and we need to take advantage of these times. It all depends on your risk profile, your current situation and your goals. So if you are an investor, it's important not to panic, keep a level head and look for opportunity. That is, to add to your investment, as I believe the market is cheap.

As I have said to many clients; when is the best time to buy anything? When it's cheap and showing good value! We cannot know when this slump will end, so the best way forward is to add to your investment on a regular basis and review your situation regularly. You are always welcome to discuss this with me and to look at how you can add value to your current investment—whether it be ordinary money or superannuation money.

If you are not in a position to add to your investment then sit tight, see me to rebalance your portfolio if necessary, but look at the long term, as the markets will come back.

If you have a mortgage it is a different story. The idea here is to reduce your debt quickly, as we could still be looking at another interest rate rise or two this year. This may be easier said than done, as most of us don't have spare cash to reduce our debt—but there are simple ways to accomplish a debt redemption program.

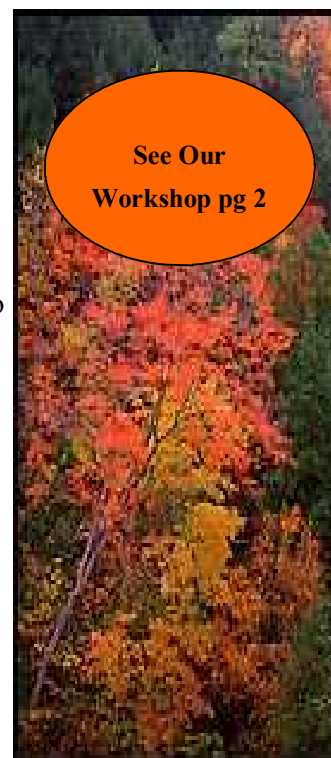
Did you know that we have a specially designed program focused on income vs. expenditure called the "Money Works

program?" It's simple and very effective however you must be committed. Once again the secret here is to review your situation regularly with us. When I first started the program in 1996, many clients were to be in a far better financial situation after two to three years — one particular client reducing her debt from 12 years to just 4.5 years!

You can read her story on our website www.moneyworkspl.com.au under testimonials.

Please phone Babette on 8431 8222 if you are interested and want more information. The bottom line here is that although we do not have any control of what markets are doing —only to see opportunity— we can have control on our debt situation.

Chris Harris



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A Word From Vicki Harris

Director Mortgage Relief



Hello again from Mortgage Relief,

In the week that I write this article, not only have we had another rate hike, but it appears that the RBA also believes it possible that the banks and other lenders will increase their lending rates independently.

Australian financial intermediaries are experiencing increases in funding costs, which are being passed on to customers," the RBA said.

Noel Dyett, President of the Real Estate Institute of Australia, had this to say; "Interest rate rises are a blunt tool, directly affecting all home buyers across Australia, including those who have not benefited from equity gains in their property. Renters, too feel the pain from interest rate rises as letters raise rents to cover loan costs".

We once again have a multitude of articles, interviews and media releases to scan through, so I don't

want wish to use this space to offer any more. I would instead like to share a quick story with you (with the client's permission)

Mr. and Mrs. A spoke with me regarding refinancing their existing mortgage. They wished to consolidate the debt from 2 credit cards and fix the rate. Their property had increased in value during the two and a half years they had owned it and we were able to borrow the extra for the credit cards and keep the home loan under 80% LVR—meaning there was no Lenders Mortgage Insurance to pay.

There was a saving in over \$300 a month in interest payments. There was also Lenders Mortgage Insurance to pay.

There was a saving of over \$300 a month in interest payments which enabled them to pay more off their loan in extra payments. There was also the added benefit of piece of mind as they were able to set a budget and savings plan in place knowing exactly what their monthly commitment was going to be for the next 5 years.

If you would like to discuss any aspect of your loan situation, please contact me on 0408 820 443 for a free, no obligation appointment.

Kind Regards,

Vicki

 **mortgagerelief**

What a World We Live In! **A bit of light humor!**

Today we mourn the passing of a beloved old friend, Common Sense, who has been with us for many years. No one knows for sure how old he was, since his birth records were long ago lost in bureaucratic red tape. He will be remembered as having cultivated such valuable lessons as: knowing when to come in out of the rain; why the early bird gets the worm; Life isn't always fair; and maybe it was my fault.

Common Sense lived by simple, sound financial policies (don't spend more than you can earn) and reliable strategies (adults, not children, are in charge).

His health began to deteriorate rapidly when well-intentioned but overbearing regulations were set in place. Reports of a 6-year-old boy charged with sexual harassment for kissing a classmate; teens suspended from school for using mouthwash after lunch; and a teacher fired for reprimanding an unruly student, only worsened his condition

Common Sense lost ground when parents attacked teachers for doing the job that they themselves had failed to do in disciplining their unruly children.

It declined even further when schools were required to get parental consent to administer sun lotion or an Elastoplast to

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A bit of light humor Cont.

a student; but could not inform parents when a student became pregnant and wanted to have an abortion.

Common Sense lost the will to live as the Ten Commandments became contraband; churches became businesses; and criminals received better treatment than their victims. Common Sense took a beating when you couldn't defend yourself

Sense took a beating when you couldn't defend yourself from a burglar in your own home and the burglar could sue you for assault.

Common Sense finally gave up the will to live, after a woman failed to realize that a steaming cup of coffee was hot. She spilled a little in her lap, and was promptly awarded a huge settlement.

Common Sense was preceded in death by his parents, Truth and Trust; his wife, Discretion; his daughter, Responsibility; and his son, Reason. He is survived by his 4 stepbrothers; I Know My Rights, I Want It Now, Someone Else Is To Blame, and I'm A Victim.

KEEPING COOL IN A MARKET CRISIS A report from Lonsec

FROM LONSEC:

QUARTERLY OUTLOOK

draws on the views and opinions of Australia's leading funds management organizations, as well as the views of the Lonsec Investment Committee. Quarterly Outlook presents tactical positions (overweight, underweight & neutral) towards shares, property fixed interest and cash, reflecting the latest asset allocation weightings adopted by these organizations.

Volatility remained a key feature of equity markets throughout the December quarter with increased risk aversion and conflicting economic data releases resulting in erratic daily swings in stock market indices. Most major equity markets ended the quarter down, Australia included. Sub Prime issues continued to weigh on investor sentiment, with local stocks such as Centro Properties Group feeling the contagion effects of the global credit crisis. Centro fell more than 80% after encountering difficulties in refinancing its short term debt arrangements, triggering a broad based sell-off in the listed property trust (LPT) sector. Australian bond yields have risen in recent months as inflationary pressures continue to build. In what has been a particularly difficult market over the last six months, cash has been the best performing asset class.

(See table)

The Australian Economy does face risks, with rising inflationary pressures (resulting from skills shortages and capacity constraints) rising interest rates, and drought being key threats to the domestic growth outlook

Furthermore, whilst the local economy may have "de-coupled" somewhat from that of the US, it is not immune from the global influences of slowing global growth and higher funding costs. For example, major Australian banks have recently moved independently of the Reserve Bank of Australia (RBA), raising their mortgage lending rates in order to cover the higher costs of wholesale funding.

The RBA policy stance is finely balanced between these opposing global and domestic factors; however, the recently released strong retail sales figures may have tilted expectations towards further tightening. Widening interest rate differentials and firm commodity prices should remain supportive of the AUD, however the slowing global economy remains a risk.

*From Quarterly Outlook by Lonsec
—March Quarter 2008*

ABSOLUTE CAPITAL UPDATE

Lonsec has released an update on the Absolute Capital Yield Strategies Fund. The creditors of Absolute Capital Limited (The Manager and RE of the Yield Strategies Fund) voted on 13 February 2008 to wind up the company. Absolute Capital Limited intends to hold a meeting of unit holders of the Yield Strategies Fund in 2008 (exact date to be advised), with additional information to be provided at least 21 days prior. ABN AMRO Limited (which, as previously advised, has employed several former key Absolute Capital staff) continues to manage the Fund in the interim.

*Lonsec Research Bulletin
27-02-2008*

Market	3 mths	6 mths	12 mths
Australian Shares	-2.7	2.9	16.2
Australian Listed Property	-13.0	-8.5	-8.4
Australian Fixed Interest	0.3	1.7	3.5
Cash	1.7	3.4	6.7
International Shares (\$A)**	-2.2	-4.0	-2.6
-US*	-3.1	-1.2	5.8
-Europe*	-1.5	-3.7	6.0
-Japan*	-8.8	-15.8	-10.2
-Asia*	-0.3	13.7	30.4
\$A vs \$US	-0.1	3.9	11.4

TAX TAX TAX TAX

Money Works is operating a new Taxation arm to our business and will be specializing in individual, small business and partnership tax returns.

We will have competitive rates and will be offering a 5% discount to existing or referred clients.

Your tax consultant will be **Babette Woodhouse who many of you already know, Babette has an extensive taxation history- working with H & R Block for several years!**

Appointments will be taken starting in July and can be made by phoning the office on 8431 8222.

for standard returns only, investment or business income extra

If you have any questions relating to any of the articles contained in this newsletter or would like to make a time with Chris Harris to discuss any of the topics further please call our office on (08) 8431 8222.

Disclaimer

The information provided in this newsletter is of a general nature only and does not constitute financial advice or a recommendation. Please seek expert advice from a qualified and experienced Financial Planner or accountant or other professional, prior to making a decision on your financial situation. Detailed information on our services and fees is provided in our Financial Services Guide, which is provided prior to or at the first consultation and is also available on request.



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