

# SPRING NEWSLETTER 2009

## A Word from Chris—

Please note:- Our phone number is now **8304 8088** due to updating our phone system.



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How can this be – it's now spring 2009. It seems just a few months have passed since the New Year Celebrations. There has been so much going on in such a short time that I was unsure what to write about this quarter. After much deliberation I decided to write a little on a number of areas in the hope there would be something that may help or catch your attention.

### Changes to Taxation of Foreign

#### Income

Probably not that important to many, but for those who derive foreign earnings, from July 2009, an exemption only applies to services that relate to certain Development Projects and Charitable or Government activities, otherwise full PAYG withholding requirements apply. This means the foreign earnings need to be included in your Income Tax Return as assessable income. You may be entitled to a Tax Offset for amounts of Foreign Tax Paid.

#### The Market – Australian Equities

Once again there is so much noise here it's difficult to isolate the good from the not so good. We have seen the Australian market continue to rise for the sixth consecutive month since March this year, and still as I write this, the Market is up again today. It's not a lot but it is steady.

The market advance has seen a significant realization to Price to Earnings (P/E) levels with many investors now positioning themselves for growth through the earnings from shares. Australia has some remarkable strengths compared to the rest of the world, for example - Australia is seen as a reliable International Trading Partner, China is now increasingly important to Australia. Australia has a healthy banking system with limited direct exposure to US Banking 'SCAMS', (we learnt a lot in the early 90's) and Australia has a stable system of Government.

### International Equities

International shares rallied strongly in July and August although the continued strength of the Australian dollar reduced the returns to 'unhedged' funds.

European Markets fared the best followed by the US. Emerging Markets also had a strong month for July. Some economists think that the Emerging Markets such as China and India will recover faster than developed countries. Asia has the best performing region within the Emerging Markets sector.

### Fixed Interest

Had a strong start and yields (returns) rose again in the Australian Fixed Interest market. The upward move in yields was driven by better than expected economic data.

Global fixed interest did better than our Australian Fixed Interest over July. The US had a mild rally for Government Bonds due to demand at Bond Auctions. European Government bonds followed the US and declined in yield over the past month.

### Listed Property Trusts

Another sector, the S & P/ASX 300 A-REIT Index made its fifth consecutive advance due to a stabilising financial system and improved investor sentiment. This is interesting as returns are slow to flow through to Managed Funds.

Global Property Trusts also did well in July/August. This sector has improved but I still remain cautious towards this sector.

Both the listed Australian Property Markets and the Global Property Markets have taken the largest hit out of all sectors, hence my slow approach to get back into these Markets with new money.

I feel I have discussed enough and I hope you found some interest on 1 or more topics presented. I look forward to discussing any matter further with you and remain always at your service.

# Why Have Insurance?

How many people write off a car in a car accident only to walk out of hospital the very same day with out a scratch? I can tell you not many- I myself was very lucky yesterday (26<sup>th</sup> August).

What seemed to be a perfectly normal morning came to a horrible end. Off to work as usual driving the same way I have driven for the last 4 years along the treacherous southern expressway. What I was thinking or doing, I have no idea nothing out of the ordinary and the radio on in the background. A car beside me in the left lane had their indicator on to move into my lane as they were stuck behind a truck, ok I thought and waved them in. Next minute I know they were stopped and although I braked as hard as I could; I ploughed straight into the back of them! I sat there in horror and then heard a massive loud noise and my car was then ploughed into them again. I was hit from behind and had my knees wedged between the steering wheel and dashboard. The steering wheel just an inch away from my unborn fetus.

I sat there again in horror not knowing whether I should try to move. The car was covered in smoke from the radiator. I couldn't see in front of me as my bonnet was covering the windscreen. I sat stunned and heard a voice saying, "excuse me how pregnant are you? There is an ambulance on the way." I tried to speak but nothing came out, tears flooded. I think deep down I knew I was ok just frightened. I picked up my mobile phone and was shaking trying to find my partners number I pushed his number but no words would come out a lady took the phone from me and spoke to my partner. I started thinking I can't feel the baby move. Somebody turned my car engine off and then the ambulance arrived and pulled me out of the car, placed me on a stretcher and put me in the ambulance. They kept asking my name, but I kept staring at them, unable to speak. My mind was

going a hundred miles an hour. Before I knew it they were sticking monitors on me and then came the drip needle - finally the words came out, "I have a small fear of needles, I'm ok, I'm ok" I started to say, "I think I just got a fright." My partner arrived and to his horror, they were just closing the doors on the ambulance. They let him in, and we were off to the hospital where we were told they were going to check me out to be on the safe side.

The hospital was awful; there was so many sick people there, and I mean really sick, all just waiting in the corridors in beds lined up. There was blood splashes on some of the curtains and I just kept thinking I don't belong here. I'm not sick like some of these people. After a very long day at the hospital and many awful tests they finally released me to go home and rest.

It wasn't until I had started to feel the baby kick and had the all clear from the hospital that I started thinking "oh!, the car" and "oh my goodness, what if I hadn't been so lucky." When the police came into the hospital they told me the car was a write off!

As I deal in this industry and see insurance claims all the time, I never really thought about the 2-3 bad seconds in life can be so life altering. It's the What If's that are now disturbing me. I deal with people that haven't been so lucky, I see it and not just with car accidents but with all sorts of accidents and diseases like cancer. They destroy people's lives and they financially ruin years of hard work.

Now one might say the last thing you think about is financials and yes, I believe that is the truth I didn't think about tomorrow at all in the preceding hours of my accident. The reality is, had it been more serious it would have caused a devastating domino effect on my whole life and that of my partner

and children. I, through being educated by my own workplace, seeing claims in action and seeing the difference they make to peoples lives, do have all my necessary insurances - Life, TPD, Trauma and Income Protection. No matter what happened, my family or myself, would have only needed to focus on my recovery or, (I'm touching wood right now), mourning.

That would have been much easier than worrying about getting by week to week, still having a roof over their/our heads and food in their/our mouths. I think it would have been much easier to recover if I knew that we didn't have to worry about the bills etc. So in closing everything turned out ok. You may not wish to ask Chris about the car though.

Ask yourself these questions: What would your family do if you were injured for more than a month?

What would your family do if you were injured permanently?

What would your family do if you were to die?

Who would pay the mortgages, bills, groceries, child care fees etc. Where would the money come from if you needed rehabilitation or specialised medical treatment or needed your partner to take time off, to look after you or the kids?

If you have children as dependants even in their 20's or 30's - would they be calling you for help?

Don't believe for a second that this does not apply to Single people without children.

If you are single- who would pay your mortgage etc? Who would look after you? Who is going to pay for specialised medical treatment? If you die, who will pay for your debt?

A charity organisation?

Mum and Dad?

Your life savings?

Medicare?

Private health insurance? (What about the gap?)

## Why Have insurance Cont....

I will never regret having insurance even though I may find the premiums hard to call a priority at times, especially with our family moving to one income for a period of time. Without it I wouldn't have the guarantee, that in the event of something awful, I couldn't fulfill the promises to my partner and children of the life I

wish for them and myself to have. Why spend 40hrs a week working to build up dreams, to only have then destroyed in 2-3 bad seconds. So do yourself and your family a favour and use insurance it's available, and can take the ease out of unfortunate life occurrences. We often insure our belongings and neglect to insure our most

important asset or assets, ourselves and our families.

**By Babette Woodhouse**

### Example:-

A \$500,000 Term policy for a 35 y/o non smoking female is **\$29.24pm.**

A \$500,000 Term **and** Trauma policy is just **\$110.58pm.**

## Thoughts from George Rousvanis on the Reserve Bank Meeting

Hi Everyone,

Another month goes by and it still seems that every minute of the day we are being bombarded by what interest rates may or may not do in the near or distant future.

First the good news, at today's meeting the Reserve Bank has decided to leave rates on hold yet again. But, for how long? The answer to this no one really knows and even though people have an opinion one way or the other, they are just that, opinions. Only the future can tell who will be right and who will be wrong and the truth probably will lie somewhere in the middle of all those wonderful 'Opinions'.

That said I think we can safely conclude that at some point in the future interest rates will go up from their current historic lows. When, depends on who you ask for an opinion. Only the Reserve Bank Board know, and even they will only know when it is actually time.

So should you fix or should you not? The question I hate to answer because every person's situation is different and needs to be looked at as such. I will give my opinion, but I reiterate it is a **PERSONAL OPINION ONLY**. Hopefully one reason you all deal with me is that you know I speak what I feel and am not a fence sitter. While your interests are always at the heart of what I do this does not make me the magical guru who knows all.

SO. My **'opinion'**.

In general I do not like fixed mortgages. They are very restrictive in

many areas especially if your circumstances change during the fixed period and you need to get out of or refinance the loan. History shows that **MOST** times when people have fixed that they would have been better off staying variable. Just ask people who fixed in the last few years at 8 and 9%. I believe that the only real benefit from fixing is to know exactly what you are going to pay every month for the given term and for some this is what they need to know.

A comment I heard the other day made a lot of sense to me and really summed up my views. "If you fix, then you are gambling that you know more than the banks because they have already calculated what they believe future moves would be, into the loan and a bank does not fix rates to loose money. So who loses? The consumer."

History backs up that this comment has been right most of the time in the last 50 years or so.

So what should we do, nothing? Of course not, I might be opinionated but hopefully I am not an idiot. We must prepare. Get rid of small high interest debt like credit cards and personal loans to lower your monthly out going expenses and keep any sort of personal non taxable debt to a minimum, going forward even consider consolidating any current debt into the mortgage if you have enough equity (Only after looking at all the options as this is not always the best option). It is ok to use a credit card but clear it every month. If you can't, don't use it.

Consider what your payment would be if rates did raise 2-3% and make those payments now. As an example let us look at a current scenario. I have just randomly chosen on institutions basic variable rate and compared it with their current 5 year fixed rate.

\$300,000 loan at 5.11% variable over 30 year's gives principal and interest payments of \$1631 per month.

The same loan at the current 5 year fixed rate of 7.74% would mean payments of \$2147 per month. A difference of \$516 per month.

Start putting the extra away **NOW** and use the money to reduce your debt, this will cut YEARS off the term of your loan and as rates do rise you will already be comfortable paying the extra. This should work out better than fixing if history is anything to go by.

But above all that. SMILE Times are really pretty good.

George Rousvanis  
Landmark Home Loans 0407 76353

The views and opinions expressed within this letter are those of the author and do not necessarily reflect those of Millennium3 Financial Services Pty Ltd.





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**(08) 8304 8088**

We wish to advise that as of October 7th Babette Woodhouse will be on Maternity Leave for 12 months. We are sure you join with us in wishing Babette and her partner, Jonathan all the very best for the upcoming birth and we look forward to having Babette back in 2010.

As many of our clients have their own successful small businesses, we will be advertising on behalf of our clients in each of our quarterly newsletters.

If you would like us to display your business details in our next issue, please contact Vicki on (08) 8304 8088 or email vicki@moneyworkspl.com.au

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**Patrick Hedges  
Wildlife & Portrait Artist**



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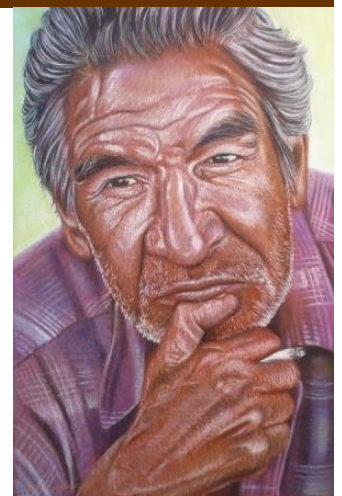
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[www.patrickhedges.com](http://www.patrickhedges.com)

I am passionate about conservation and believe that wildlife matters, and I express this passion and belief through my art. It is my desire that my work can continue to educate people about wildlife and the challenges ahead in a positive way.

I am also passionate about people and love nothing better than working on a portrait where I can try to capture the character and essence of the subject



The Wildlife and Portrait art of Patrick Hedges