

'the benefits of sound advice'

Money Matters

Issue 21 | Autumn 2010



Staying In Touch

Welcome to the first edition of Money Matters for 2010.

2010 is the Chinese year of the Tiger. Those born in the year of the Tiger are courageous, optimistic and self-assured. These are qualities we can all aspire to adopt this year as we put the stress and volatility of the GFC behind us.

With our continued focus and commitment to providing quality strategic advice we want to make sure we are helping you in every way possible. So we'd like to ask if you are getting the most out of the services we offer? Read our cover article 'Making the most of Strategic Advice' to make sure you are aware of all that we can do for you.

Following the events of 2008 and 2009, many investors have understandably shied away from the share market. However, don't let the experience of the past eighteen months keep you from achieving your goal of financial security. What can we expect for the year ahead? Read our article 'Twenty Ten, A Market Overview' to find out.

Remember the time you dressed up as superman and jumped off the roof of the shed thinking you could fly? Most of us can remember a time when we thought we were ten feet tall and bullet proof. Children generally develop more self-protective behaviours as they grow up, but even as adults one of these protective behaviours is pretending things 'can't happen to me.' If something does happen, are you prepared? Read our article 'Total and Permanent Disability Insurance - what is it good for?' to find out the benefits of TPD insurance.

'Ready Set Goal' - do you have a spare tyre, love handles, or a belly bulge left over from the holiday period? Or maybe it's been accumulating for more than a few holiday seasons? Don't fret. We share a few simple tricks in our lifestyle article that can help you approach the rest of the year on the right (and maybe lighter!) foot.

We hope you enjoy this edition of Money Matters and please consider meeting with us soon if you would like to discuss your financial position.

Regards,



Corporate Authorised Representative of
Matrix Planning Solutions Limited

Contact Details:

Suite 5 Level 1 - 29 Smith Street
Charlestown NSW 2290
PO Box 1057, Charlestown NSW 2290

Telephone: 02 4943 4876 Facsimile: 02 4943 8585
Email: mail@hunterfinancial.com.au
Website: www.hunterfinancial.com.au

MAKING THE MOST OF STRATEGIC ADVICE

Do you think of your adviser as someone who specialises in superannuation, insurance and investment products? While this is certainly true, many people don't realise that a good financial adviser also helps them think about wider advice issues affecting their lifestyle. For example, what would be the impact if you wanted to work only 3 days a week instead of 5? What is the likely income your current rate of savings will generate in retirement? Can you afford renovations and still maintain your current lifestyle?

Strategic Advice looks at the wide scope of your circumstances; it covers risk, investment, debt, cash flow, estate planning as well as social security and includes an active ongoing advice relationship between the adviser and their client.

When we seek financial advice we often have an idea about what we want our adviser to address, and some of us may only require assistance establishing something specific like an insurance policy or a self managed super fund. But there are many other aspects in your financial situation that your adviser could help you with. Seeking Strategic Advice and not just limited advice will allow you to get the most out of your adviser and your finances.

HOW TO GET THE MOST OUT OF YOUR ADVISER -

Services - The next time you speak with your adviser, come prepared with a list of things you would like to achieve in your life. Spend time discussing how you might be able to structure your situation to be able to do the things that are most important to you. For example, some young couples delay starting a family because they are worried about finances. Rather than waste precious time, why not ask your adviser to help model the impact of taking some parental leave, and suggest ways to make your plans a reality? Other times, older employees want to scale down the number of hours worked but don't know the impact of this decision on their other plans. Talk with your adviser about these issues -


taking that next step could be the key to reaching your goals sooner.

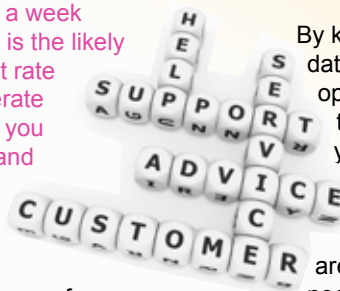
Communicate - Ensure you contact your adviser with details of any major event in your life. For example a marriage, divorce, birth of a child, sudden illness, inheritance or a new home purchase can certainly change your financial position.

By keeping your financial adviser up to date, you ensure that they can raise opportunities or issues with you when they are most timely. Have you told your adviser about your medium to long term goals? Or have your goals changed since you last met with your adviser? To ensure you are receiving Strategic Advice you need to let your adviser see the whole picture.

Ask questions - If at any stage in the financial planning process you do not understand what your adviser is recommending, don't be afraid to ask questions. The more educated you are regarding your financial plan, the more ownership you will have of the process, ensuring you are getting the most out of the services on offer. Likewise, a good adviser needs to ask you a lot of questions to really understand your financial situation and goals.

Make sure your plan is on track with Reviews - The key to Strategic Advice is communication. By engaging in regular reviews, both you and your adviser will ensure your financial plan is continuing to meet your needs. This is the time to update your adviser on any changes that have occurred since you last met if you haven't already done so.

Let us worry - With regular legislative changes within the financial industry on taxation or superannuation, it's hard to keep up and easy to get confused. This is why you seek the help from an adviser in the first place. Once you have your finances in safe hands don't let the media or GFC hype get you down. If your strategy or portfolio require any changes, your adviser will address these with you. If you have friends who are feeling the pinch in their pocket or can't keep up with industry changes, why not refer them on to your adviser and let them have peace of mind too. 



TWENTY TEN, A MARKET OVERVIEW

“May you (NOT) live in interesting times”

- to rework a famous Chinese curse, may be the call from investors in 2010.

Investors nerves have well and truly been tested over the past two years as markets have experienced dramatic movements during, and in the wake of, the Global Financial Crisis.

So where to now for investors - What does 2010 hold?

Unfortunately we do not have a crystal ball, but we can use the knowledge gained from this tumultuous period to provide us with some clues as to what we may expect.

Global Economy

A general consensus is forming that the world economy has now passed the worst of the Global Financial Crisis, and a return to stronger economic growth is expected. This was confirmed by the International Monetary Fund (IMF) in January when it revised the projection for world economic growth upwards to 3.9% for 2010, and 4.3% in 2011. This is a remarkable turnaround from just four months ago when they were forecasting 0.8% for 2010 and 0.1% in 2011.

However, they also caution that the sustainability of the recovery is heavily

dependent on a number of challenges including the successful unwinding of government support, improvement in the state of the financial sector and the ability of emerging economies (such as India and China) to reliably lead world economic growth.

Meeting these challenges will not be easy, nor will it occur quickly. We should therefore expect periods of uncertainty and volatility as world economic growth recovers. What does this mean in plain English? While the IMF see a highly positive trend, markets will still be volatile – don't expect a smooth path going steadily upward.

Australian Economy

Compared to many other developed economies, the Australian economy has remained relatively unscathed by the worst of the economic crisis. Although we did experience an initial jump in the unemployment rate, an earlier than expected fall occurred in December to 5.6% (*source: ABS*).

The Australian economy should therefore be well positioned to take advantage of the expected turnaround in global growth. In particular the continuing demand from the emerging economies for our broad

based commodities should place the Australian economy in a strong position.

Asset Classes Impact

Asset classes have generally responded well to the improving economic conditions.

Equity markets both here and abroad have rebounded since the market bottomed in March 2009. But we have also witnessed, during this time, that the markets can easily be spooked by negative news.

Although we are optimistic on a sustained recovery in equity markets, we believe that investors need to be aware that there will be periods when negative news may detract from performance.

With this in mind we have compiled the following tips for you to consider as we head into 2010. We suggest that your partnership with your financial adviser is the most effective way of implementing these tips.



TOP TIPS FOR INVESTING IN 2010:


1. Invest with your head; not your heart – investing can be an emotional experience and rash decisions based on emotions like fear, generally result in losses. We believe that 2010 will be dominated by a range of macro themes that cause spikes in asset return volatility against the back drop of an improving economy and generally positive market outcomes. This means it will be just as important to be patient in 2010 as it was in 2009 – perhaps even more so. Investing with your head means remembering that buying under valued stocks is the way to make money in the long run. The 'herd' will buy when prices rise and therefore will make smaller gains.

2. Stick to your guns – establish a long-term investment plan and stick to it! It's difficult to reap the rewards if you're continually changing your investment focus by chasing last year's best performing asset class.

2010 is unlikely to offer the same distinct opportunities as 2009, yet a valuable lesson can be observed in the importance of discipline and process in investment decision making. Successful investors were distinguished by their rebalancing discipline and the use of rigorous decision making processes to take advantage of opportunities.

3. Branch out – Make sure your investment is adequately diversified across a range of areas. Asia's strong sharemarket rebound from the global financial crisis and robust economic performance is attracting a lot of investor interest. Think about how you can best take advantage of opportunities in emerging markets such as Asia. But remember, Asia is a big region – speak to your adviser about specific regional opportunities as well.

4. Diversification remains the key – We expect that a well-diversified portfolio should generate a reasonable, but not spectacular, return in 2010. Most asset classes appear priced for moderate economic growth, which seems the most likely outcome. As the global economy transitions from initial recovery to still uncertain longer term trend, there is plenty of scope for renewed volatility as expectations shift. Investors will be well served by heeding the lessons of the past two years.

Remember, it's about the time in, and not the timing, which is key to making a long term investment strategy work for you. We understand your personal financial needs, so contact us now if you would like to discuss these strategies in line with your objectives. 



TOTAL AND PERMANENT DISABILITY INSURANCE - WHAT IS IT GOOD FOR?



Remember the time you dressed up as superman and jumped off the roof of the shed, thinking you could fly? Most of us can remember a time when we thought we were ten feet tall and bullet proof. Children generally develop

more self-protective behaviours as they grow up, but even as adults one of these protective behaviours is pretending things 'can't happen to me.'

As insurers, Commlnsure sees the personal and financial impact of injury and illness on individuals every day. One of the products that helps people reduce the financial impact of injury and illness is TPD insurance, or Total and Permanent Disability insurance. In this article, Commlnsure's Jeffrey Scott talks about the high costs of not insuring, and how for just the price of a cup of coffee a day you can get protection.

The costs associated with a severe disability are very high. An Access Economics Report recently stated that the greatest proportion of costs for traumatic brain injury (TBI) and spinal cord injury (SCI) are borne by the individual (40% to 65%), with the State and Federal governments bearing the rest. As you can see from the chart below, the costs are substantial.

Total cost per individual during first six years of injury -

	Moderate TBI	Severe TBI	Paraplegia	Quadriplegia
Healthcare costs	\$139,427	\$226,361	\$201,145	\$297,453
Equipment & modification costs	\$8,381	\$27,225	\$119,949	\$123,593
Long term care costs	\$20,961	\$110,716	\$66,669	\$343,526
TOTAL COSTS	\$168,769	\$364,302	\$387,763	\$764,572

Not all permanent disabilities are as severe as traumatic brain injury or spinal cord injury. The average cost in the first year for a person who has suffered a stroke for the first time was \$18,956; over a lifetime the cost was \$44,428, including rehabilitation costs of \$13,627.

The average lifetime financial cost of cancer on a household in NSW is around 1.7 years of annual household income.


In the case of multiple sclerosis, the average annual direct and indirect costs per patient were \$20,396 and \$15,085, respectively. The greatest uses of resources were for drugs, consultations, and nursing care.

Could your family cope? Fortunately, you can protect yourself (and ultimately your family) financially with total and permanent disability insurance (TPD). This can provide a benefit of up to \$3 million. In most cases, the benefit is paid when, "a person suffers from ill-health (whether physical or mental), and two legally qualified medical practitioners have certified that, because of the ill-health, it is unlikely that the person can ever be gainfully employed in a capacity for which he or she is reasonably qualified because of education, experience or training". There are also supplementary benefits for "loss of use of limbs or sight", and "loss of independent existence".

In a recent TPD insurance case, the individual was able to use his claim payment to change his lifestyle after a serious traffic accident. He paid off his mortgage, paid for carers, kinesiology, reflexology, cranio-sacral, acupuncture, feldenkrais, massage therapy, recreational equipment,

wheelchair, on-call nursing, hyperbaric chamber treatments, hydrotherapy, recumbent bike, commode chair, hospital style bed, and modifications to his car. He also underwent special rehabilitation where he has learned to walk again. Without the stress of worrying about finances, he has been able to recuperate at his own pace and is now planning on starting his own consulting business.

How much does it cost?

For a \$1,000,000 sum insured TPD policy (any occupation, male, aged 40, non-smoker, accountant), it is less than \$670 per year (less than \$2 per day; or less than a cup of coffee). And just like the superman actor Christopher Reeve who suffered from TPD in real life, we can see that we are not bullet proof after all, and it could happen to you. If you do not have any TPD cover in place, make an appointment to talk to your adviser today. 



Christopher Reeve

Jeffrey Scott, Executive Manager, Business Growth Services, Commlnsure

Source: A Guide to Australian Government Payments – 1 January 2010 to 19 March 2010. • Access Economics - The cost of traumatic SCI and BI in Australia – June 2009 • 4102.0 Australian Social Trends 2007, Labour Force Participation - An International Comparison • OECD 2006, 'Improving Incentives to work', Chapter 6 in Economic Survey of Australia 2006, OECD, Paris. • Department of Employment and Workplace Relations 2006, Annual Report 2005–06, pp. 31, DEWR, Canberra. • Guidelines for levels of attendant care for people who have spinal cord injury and can claim under the NSW Motor Accidents Scheme. Motor Accidents Authority (MAA) March 2002 Australian Bureau of Statistics 2007, Labour Force, Australia, May 2007, cat. no. 6202.0, ABS, Canberra. • Australian Government, Department of Human Services, Centrelink, Disability Support Pension webpage, viewed 22 November 2006, http://www.centrelink.gov.au/internet/internet.nsf/payments/disability_support.htm.

Money Matters

REFERRALS

One of the greatest ways that you can show your appreciation to us is to refer one of your family or friends. It is always a pleasure for us for a number of reasons:

- i. It shows us that you have faith in us;
- ii. It shows that you believe we are providing a great service to you;
- iii. You care for your friend/relative and want them to see someone you know and trust;
- iv. The relationship between us is strong therefore you know that we will work hard to care for your friend/relative.

Many clients have referred people to us and have received the satisfaction of helping their friend/relative. However we do know that there are clients who have not yet referred people to us. It could be for one or more of the following reasons:

- You don't want to seem pushy;
- You're not sure how to approach the subject;
- My friend/relative already has a Financial Planner;
- I didn't think you would want more clients as you are already busy.


These are all valid concerns but we would welcome the opportunity to help your friend/family and for them to improve their financial position. It is interesting to note that if you were to receive a referral from a friend you would accept it graciously and use that person.

You may or may not be aware that we have recently completed some restructure within the firm with an emphasis on continual improvement of our staff development to ensure we are consistently developing our service offerings to you – our valued clients.

We have expanded our team and the result is that we now have increased capacity to assist other people and businesses without in any way affecting our ability to deliver quality service to you.

If you know of any friends or associates that would possibly benefit from our services we are prepared to visit them personally to discuss their requirements and of course we would acknowledge your referral to them.

If you or your friend would personally like assistance with any area of financial planning please contact the office to arrange an appointment by calling Emily on **4943.4876** or email at **Emily@hunterfinancial.com.au**

PS. By the way when you do refer friends or associates to us we have a really special gift to send to you as a way of saying Thanks! 



MARKET UPDATE

INTERNATIONAL SHARES

Global share markets have digested the worst of the economic news and markets are now strongly rallying. While volatile, opportunities should present over the coming year in this sector. Looking forward on a three-year outlook the favoured areas are Asia and emerging markets. Stock and country selection is going to be much more important over the coming year as volatility remains high.

AUSTRALIAN SHARES

The underlying market fundamentals have improved markedly. Stocks have rallied strongly. Investors should focus


on quality in this environment. We consider overweight appropriate on a three-year outlook for the large cap sector. Also, managers with strong stock picking skills are expected to out perform. Small caps have rallied strongly but the focus should be on quality companies with strong income streams. Funding and liquidity still remain a key issue.

PROPERTY

Property is likely to underperform equities on a three year outlook and we now suggest a slight under weight to the sector. Quality direct property valuations are starting to show signs of recovery although likely to be slow as access to funding remains difficult.

FIXED INTEREST

With the direction of interest rates in Australia likely to be up, opportunities for fixed interest are likely to be limited over the coming year. With a high A\$, opportunities for hedged international rates are also likely to be limited over the coming year. The credit market should provide selected opportunities over the coming one to three years as credit spreads contract further and investment grade credit becomes more attractive.

Please contact our office to discuss any queries you may have on your investment portfolio. 

Disclaimer

Money Matters is a private communication to clients and contains general information only. It is provided by Matrix Planning Solutions Limited (ABN 45 087 470 200. AFSL No. 238256). As the particular circumstances and needs of individual investors may vary greatly, the information herein should not be used as a substitute for personalised professional advice. Whilst every effort has been made to ensure the information is correct, its accuracy and completeness cannot be guaranteed, thus Matrix Planning Solutions Limited cannot be held responsible for any loss suffered by any party due to their reliance on the information or arising from any error or omission.

Privacy Statement

This newsletter is provided as an information service for you and your family. If you do not wish to receive information of this kind in the future, please contact us by mail, email or phone and we will remove you from our mailing list.