Successful Investing

Issue 4 2010

Economic update

What the world has going for it?

US Federal Reserve Chairman Ben Bernanke, appearing for his twice-yearly appearance before the US Congress in July, summed up the gloom of investors when he said the outlook for the US economy is "unusually uncertain".

Investors are glum because the economic reports out during the September quarter showed for the most part that the world's biggest economies - the US, Japan, the eurozone and China - are slowing. And that even if another global recession is avoided, it might feel like one anyway.

Still, the world economies have some things going for them. For one, the global banking system is more stable now because western banks are in better shape, which should promote the lending that lubricates the economy.

Secondly, US companies are cash rich, so can keep their workforces and maintain investment plans. Another plus is that lower commodity prices support economic growth. Oil prices, for example, are around half their peak reached in mid-2008.

Then there's how emerging economies are humming. The IMF expects the economies of China, India and Brazil to expand 10.5%, 9.4% and 7.1% respectively this year.

Lastly, more stimulus is possible. Many countries retain significant scope, at least on the monetary side, to prod their economies if conditions turn bleak.

And then there's the almost unstoppable Australian economy that is expanding for a 19th year thanks to booming Asia and the boost that gives to commodity prices. Even with the gloomy world outlook and low inflation, it might be hard for the Reserve Bank to leave interest rates around today's levels for too long.

Source | Fidelity Australia

The easy way to consolidate your super

Why get it sorted? If your super is lost, tracking it down may give you certainty about how much you have and how it is performing. If your super is spread across several funds, consolidating it into one fund can reduce your paperwork.

Of course, there'll be some paperwork along the way, and you'll need to put aside some time to think about your situation – perhaps meet with your financial adviser.

Remember, it's your hard-earned money and your future that is at stake, and decisions you make today can make a big difference years from now.

So let's get started

If you have super funds from previous employers (and many working Australians do) then you could be paying unnecessary fees and insurance premiums on those funds. Combining all your previous super funds into one can make it easier to track, easier to manage and review whether your savings are working hard for you.

Where can you find your old super?

If you already know where your super funds are, just collect the latest statements from your previous super funds. If you can't find these, get in touch with your past employers and ask them where your super was invested when you left.

If you still can't trace your super, it may be classified as 'lost', but don't fret, you are not alone. It's estimated that around one in two working Australians have lost super, which currently totals over $11.9 billion!

Fortunately, you can locate your lost super through the Australian Taxation Office's free SuperSeeker tracing service by phoning them on 13 28 65 or online at ato.gov.au/super. You'll need to provide your name, date of birth and Tax File Number. They will let you know if you have any lost super on their register.

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How do you decide which super fund suits you best?

Once you've tracked down all of your old super, you need to decide which super fund best suits your personal circumstances. Before consolidating your super, you need to compare the costs, risk and benefits of your current funds. It's also a good idea to check whether any withdrawal or termination fees apply from any of your past funds and be aware of any investment or taxation implications. If you still have insurance with a past fund, make sure you don't need it or you have replaced it before closing the account.

If you're unsure about consolidating or need more guidance, it's important that you speak to your financial adviser.

Source | Colonial First State

There's more to income protection than you may think

There is no shortage of misconceptions on what income protection actually covers and how far reaching this cover can be. Many who think it only covers injuries and has limited value for those in low-risk occupations are surprised to learn that it also covers illness, and that illnesses are in fact a far more common cause for claims.

Furthermore, it's not only illnesses with obvious physical affects that are covered. Silent and sinister diseases like mental illness are alarmingly common and are responsible for many claims. It's sobering to consider that one in five Australians will experience a mental illness at some stage in their lives.*

Many people are equally unaware of the variety of ways income protection can assist, through supplementary benefits and support beyond the basic income stream. The following real life story dramatically illustrates how quality income protection can address all of these issues.

How Simon's nightmare unfolded

When Simon's best friend committed suicide, Simon never expected that such an event would end up putting his own life into complete turmoil. In the three months following the tragedy, Simon gradually descended into a frightening post traumatic stress disorder resulting in depression and the risk of Simon himself committing suicide.

While Simon's life spiralled into a period of chronic illness, his income protection plan would prove to be his lifeline in a way that he could never have imagined.

Recovery sometimes needs more than just income replacement

While his plan paid him a regular income, Simon found that he was going to need far more than that. His path to recovery would involve a torturous journey requiring years of treatment and rehabilitation.

Fortunately, Simon's plan included a rehabilitation benefit and a rehabilitation adviser was assigned to help him. This process began by developing a management plan and working with Simon's GP to identify appropriate courses of therapy.

The rehabilitation adviser maintained email communication with Simon's wife and provided support, such as encouraging her to attend Simon's therapy sessions. When there appeared to be no chance of Simon returning to his own occupation, the rehabilitation adviser instigated retraining in the building industry. An external rehab provider was employed to conduct retraining and Simon progressed well. He was even able to secure his first building job.

A twist in the tale

Long shifts and a reduction in time spent with family and medical therapists, however, resulted in a relapse. The rehabilitation adviser became involved once more and even organised a personal trainer to help Simon lose weight and improve his general wellbeing.

Simon was relentless and was able to recommence a new full-time job, this time with a lot more on the job training and support. Despite the fact that he was working full-time, he continued to receive partial income support due to the reduction in his income since his disability.

Simon's story is living proof that quality income protection offers a lot more than a simple income stream while you are off work. It can provide a holistic package that responds to the real complexities that such devastating illnesses can bring. Speak to your financial adviser today.

* www.mindframe-media.info

Source | Asteron

You've insured your stuff……. What about your family?

Why do we regularly insure things that we can touch but frequently forget to insure what is most important?

Fortunately, while many of us may experience a traumatic life event either directly or through people we love, we often recover.

Together, we can make sure that your financial security recovers as well.

To make sure you and your family have the cover you need, call our client liaison officers, Karen or Nicola on (08) 8272 0300 to arrange to speak with one of our advisers.

Avoiding your own credit crunch

A survey by the Financial Literacy Foundation has found most Australians are confident at managing debt, despite the fact that debt and bankruptcy levels continue to climb.

It seems that the gap between personal perception and financial reality is widening.

According to the Reserve Bank, credit card debt in Australia has blown out to a record $41 billion. The average card now has an outstanding balance of over $3,000.

In the financial year to June 2007, a record 32,000 Australians went bankrupt – a jump of 17% from the previous year. Another 6,500 people entered formal debt agreements with their creditors – up about 30% on the previous year.

When it comes to gender, research by credit reference agencies, Veda Advantage and Dun & Bradstreet, have found men are more likely to miss repayments on their loans than women.

More worrying is that younger Australians seem to be struggling with credit. Veda found that 45% of all debt defaults occur among people aged 18 to 30.

The basics of borrowing

Borrowing money is easy – it's making the repayments that can sometimes be difficult. If you get into debt trouble, don't ignore the problem because it won't go away.

What to watch out for

Debt problems don't strike without warning. Here are some of the signs:

- Do you worry about checking the mailbox for fear of finding another bill?
- Are you still paying off credit card bills from last Christmas?
- Have you gone through two or more mobile phone providers?
- Are you only paying off the minimum monthly credit card balance?
- Do you have outstanding personal loans that you used for holidays?
- Have you maxed out all your credit cards and applied for another?
- Is there nothing left in your pay once your debt repayments have been made?

Managing debt effectively

If you've borrowed money and have not yet repaid the loan in full, then you're in debt. However this isn't necessarily a bad thing. Debt is an accessible tool to help you achieve long-term financial goals such as owning a home or car.

As long as you remain in control of your debt – that is, you stay on top of your repayments – it shouldn't be a problem.

Rather than trying to dig yourself out of a debt hole, it's a much better idea to follow some simple rules when talking to lenders so you don't get into trouble in the first place.

Before taking out a loan check:

- The term of the loan.
- The interest rate that will be charged and how often the payments must be made
- The way the rate is determined - is it variable (the lender can move the rate up and down) or fixed?
- Fees over and above the interest payments, such as monthly "service" fees
- The actual amount, in dollar terms, that will be paid over the life of the loan. On a house, over 25 years, this will be several times the actual price
- The type of security required - for example, a mortgage on a house may involve the lender having title over the property
- Can you repay the loan early? Is there a penalty for early repayment?
- What happens if you experience short-term financial difficulties or are unable to repay the loan?
- Is the contract covered by the Consumer Credit Code?

Keeping your debts under control

When taking on debt of any kind, it's important to remember that unexpected things can occur that may impact your ability to pay off your debts. If you were unable to work due to injury or illness, would you be able to keep up with your financial commitments and protect the assets you've worked hard to accumulate?

It's estimated that less than 10% of Australians have insurance against loss of income, yet it's often considered to be the most important type of insurance cover needed for income earners. Before taking on a large debt, speak with your financial adviser about preparing for the unexpected through risk management strategies such as income protection insurance.

Consider these tips for paying off your debts

- Modify your budget to make sure it accounts for your debt repayments
- Pay off debts with the highest interest rates first, as these can cost you more in the long run
- Credit cards require you to pay a minimum amount each month. Consider paying more than the minimum required amount so you can pay off the debt faster and pay less interest
- Think about consolidating your debts if you have more than one, but only do so if it will help minimise your overall interest payments and the fees and charges you pay

The importance of professional advice

If you're having trouble managing your debts or think there might be a better way, ask your financial adviser for help. Your financial adviser can develop a debt management plan and advise on whether consolidating your debts is in your best interest. Speak to your financial adviser today and look forward to a debt-free future.

Source | IOOF

The superannuation gender gap

It's an unfortunate fact that a typical woman is estimated to save 35% less for her retirement than the average man. This can be because women are more likely to take career breaks or work part-time when they start a family or care for a loved one.

Women also still tend to be paid less than their male counterparts and they generally live longer than men. With increasing divorce rates women are often left without adequate retirement savings if they had been relying on their partner's super (even with super splitting on relationship breakdowns).

The issue of the retirement gender gap is being addressed by the recent government and industry reviews, with a number of proposals to assist women to save more for their retirement.

So what can you do?

- It's especially important for women to get their super set up properly as early as possible
- If taking maternity leave or working part time, you and your partner may wish to contribute to your super to give it an extra boost. You may also be eligible for the government co-contribution
- Be responsible for your future. This applies whether you're a male or female. Keep track of what your super is doing and where it is
- Learn as much as you can about your investments, including your super

Source | One Path

Trivia

There is about 200 times more gold in the world's oceans, than has been mined in our entire history

No piece of normal-size paper can be folded in half more than seven times

Venus is the only planet that rotates clockwise

Fathers tend to determine the height of their child, mothers their weight

Ghandi didn't allow his wife to take penicillin to save her life from pneumonia but took quinine to save himself from malaria

Eating a packet of crisps a day is equivalent to drinking five litres of cooking oil a year

The more panels a football has, and therefore the more seams, the easier it is to control in the air

The number of people alive on earth right now is higher than the number of all the people that have died. Ever

Plastic lawn flamingos outnumber real flamingos in the U.S.A

The Eiffel Tower has 2,500,000 rivets in it

"Jaws" is the most common name for a goldfish

If you can see a rainbow you must have your back to the sun

It takes a ton of water to make a pound of refined sugar

Before 1850 golf balls were made of leather and stuffed with feathers

The first couple to be shown in bed together on prime time television was Fred and Wilma Flintstone

The average person will spend two weeks over their lifetime waiting for the traffic light to change

A mere 2% drop in body water can trigger fuzzy short-term memory, trouble with basic math, and difficulty focusing on the computer screen

Source | www.berro.com

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