

March 2010 NEWSLETTER

Tax Effective Investing

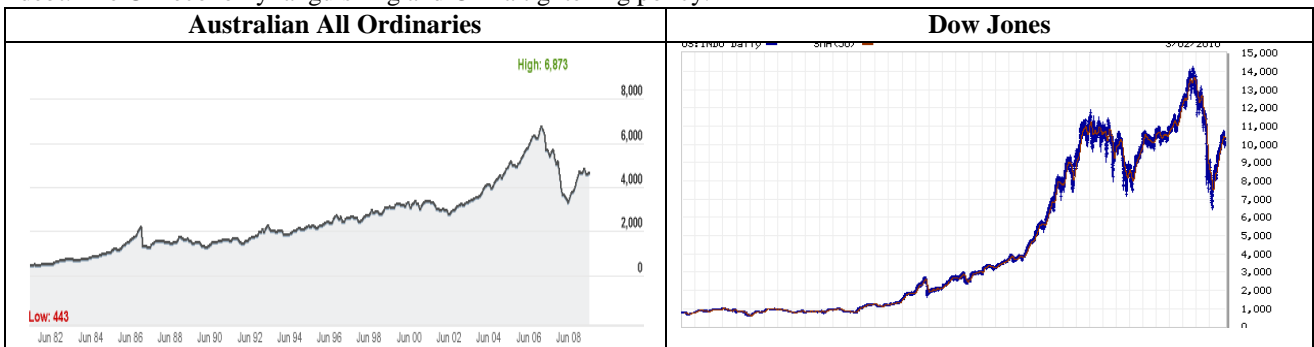
Superannuation can be a tax advantaged investment. It can be tax advantaged where a member's marginal tax rate is 30% or greater because earnings within a complying superannuation fund are only taxed at a rate of 15%. The important strategy with superannuation is to maximise returns to take advantage of the lower tax rate. To do this a superannuation member must understand the risk reward trade off. Put simply, the greater the return the greater the risk. Sharemarkets and property have proved to provide the highest returns over time so where a superannuation member has say, 40 years to retirement they should look at using the superannuation fund options that provide the higher returns in the long term.

Economy:

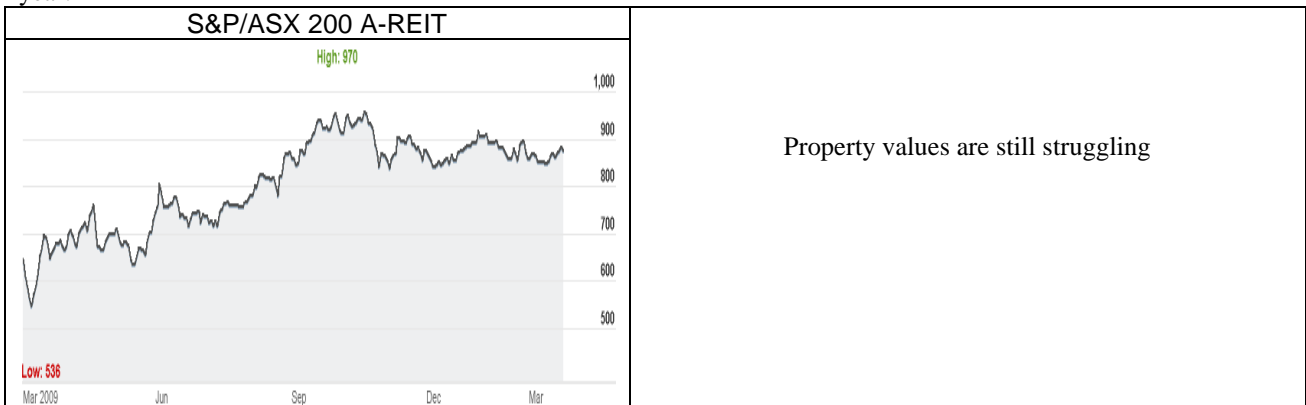
Yesterday the reserve Bank increased the official cash rate by 25 basis points pointing to the increased activity in the housing market and increase in economic activity as the reason. Those reasons coupled with the artificially low rates really meant that either this month or next there would be a rate rise. Economists believe that an official cash rate of between 5.25% and 5.5% by the end of the calendar year is not unrealistic. So to use the media term, "the Australian economy is going gang buster". However, we are being affected by a few European economies where debt is still rising and GDF is still falling. USA economy also has mixed messages with manufacturing looking reasonable but the housing market still being in the doldrums

Markets:

In the last two days the share markets seem to have broken out of the sideways movement of the last two months. Global equity markets had their worst month for a year and were affected by possible defaults European sovereign debt. The UK economy languishing and China tightening policy.



Property – The following table shows the movement of the S&P/ASX 200 index for listed property trusts for the last year.



Home and Investment loans:

We still provide a mortgage check service through associates so please contact us if you need some comfort with respect to your loans and leasing.

Superannuation

To fund a retirement income stream of \$50,000 in today's dollars you will need approximately \$700,000 in superannuation if you retired tomorrow. If you are 55 and intend to retire at age 65 and have superannuation of \$100,000 as your only retirement financial reserve then you have a lot of work to do to achieve the goal.

If you are 20 and intend to retire at the age of 65 then the task is easy. At an earning rate of 8.9% per annum (Lifespan High Growth projection rate) you would only have to contribute \$100 per month to have \$700,000 at the end of 45 years.

However, it is never too late to start. The solution is to save a little and save frequently. Don't let the big number frighten you. It is achievable just start now.

Personal Insurance

Please look at your personal insurance policies and see if you are paying stepped or level premiums. There are arguments for each of these and you can also get a hybrid.

Basically;

1. Stepped premiums will rise every year even though the sum insured does not rise. Stepped premiums are usually cheaper than level premiums so may suit the younger client.
2. Level premiums will not normally increase unless the sum insured increases. Level premiums can be advantageous, even though they may be more expensive, where the client wants absolute certainty of costs remaining the same.

It is important that you do not regard insurance as a set and forget matter. Insurance needs change over time and should be reviewed on at least a yearly basis to ensure you are adequately covered or that you do not have too much insurance.

If you would like me to check your current policies to make sure you have the best benefits please contact me.

Regards
Duncan Walker

Sources of information:

Kaplan Monthly updates, Econoclast, Comsec, CBS Market Watch, BT Monthly Report, HFA, Colonial Frirst State Client Education Colonial geared Investments newsletter, InvestSmart newsletter, Deutsche Desk Caddie and Van Eyk Investment Outlook Report, ATO website and Zurich technews.

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