keeping an eye on finance

focus

Issue: Summer 2009/2010

Welcome to Focus

Welcome to our last newsletter for 2009. Soon it will be time to start thinking about next year and how we can plan for one which is financially sound.

You can start by taking our financial health check to see how you fare and then pick up some useful tips on budgeting by following the guidelines in our article on page 3. Plus learn about a new style of investing with SMAs.

If you would like more information on any of the topics in the newsletter or any other investment advice, please contact our experienced and professional advisers.

Your financial health in 2010

Take a simple check to see how you fare.

Your investments – How much and where do you have your money invested? Include savings, cash, superannuation, shares, property, managed funds, and term deposits. Do you have enough expertise to maximise your money's earning potential? For example, did you know you can use the equity in your own home to create wealth?

Spread your risk – By diversifying, or spreading your money across a range of investments, you can reduce your investment risk.

Use your money – Did you know you can borrow money to increase the value of your investments?

Continued next page

in this issue

Words of wisdom

"Planning is bringing the future into the present so that you can do something about it now"

~ Alan Lakein

Australian National Consulting Pty Ltd

ACN: 072 563 574
Level 2, 470 St Kilda Road
Melbourne VIC 3004
Ph: 1300 880 789
Fax: 03 9821 4137
www.ancadvisers.com.au

Australian National Consulting

Your financial health in 2010 (continued)

Your debts – How much debt do you have in mortgages, car and personal loans, credit cards? Would your current insurances (including those within super funds) be enough to pay off these debts if something happened to you?

Your spending – Do you know how much you spend each month on expenses such as loan repayments, rent, food, education, transport, power, phone, clothing, entertainment and the many other costs or daily life? If you were unable to work for, say, three months or longer, because of an accident or illness, could you meet these expenses without a regular income?

Your most important assets – If something unexpected occurred, could your partner afford a housekeeper or nanny to look after the children? Some insurance premiums can be paid with pre-tax income or as part of a super fund, making it even more affordable to protect for this possibility.

Planning ahead – How much do you think you will need in retirement to cover your living expenses? Most people require about 60% of their pre-retirement income. Are you saving enough (including your super) to cover your needs?

Get organised – Do you have multiple super funds? Consolidating your super into one fund can reduce fees and help you identify if you are on track to achieve your savings goals.

Think differently – Super is most people's biggest investment outside their home, yet they often don't take the time to review it and make the most of it.

Act now – If any of your answers above were 'no' or 'unsure', it could be time to review your financial strategy. We can help you get your finances into shape and help give you and your family a better financial future. So call your adviser today.

Investor Corner

What's an SMA?

If you want the benefits of a share portfolio, but not the hassles, there is the option of an SMA (Separately Managed Account) which is probably best described as being half way between a managed fund and a share portfolio.

An SMA is a managed investment – professionally constructed and managed portfolios of Australian shares and cash. The biggest difference is that SMAs are not sold in units. Instead, you (or the superannuation trustee) remain the beneficial owners of the shares.

Think of an SMA as the best of managed funds and shares without the complications of direct share investment.

The shares in the SMA can be easily seen by the investor, with a choice of investment styles and strategies enabling diversification across a range of companies, industries and sectors.

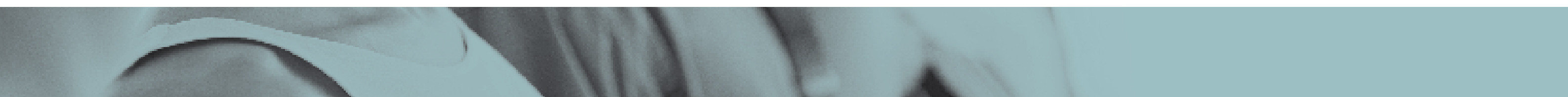
Other advantages of an SMA include:

- if an investor currently holds shares that are included in the SMA model portfolio, these can be transferred into the SMA with no capital gains tax implications
- the investor receives any dividend imputation credits
- brokerage costs are shared with other investors so can be reduced

"Think of an SMA as the best of managed funds and shares without the complications of direct share investment."

- capital gains tax is not inherited when you invest in an SMA as your cost basis is your own individual cost base – ie the price at which the shares were originally bought

SMAs are now available through an investment platform – making consolidation of your portfolio reporting easy and can be accessed for investment through super, pension, investment or self-managed super account.



Five simple ways to spend less and save more in 2010

1. Write it ALL down

Understand where the bulk of your spending really goes by writing down exactly what you spend – from the impulse snacks at the service station to the electricity bill – over a set time, say two or four weeks. Carry a small notebook with you, involve your partner and be thorough.

It can be frightening but it can provide a revealing insight into your spending habits. Write down every purchase you make, no matter how small. It's amazing how quickly those takeaway coffees, the weekly lottery tickets or the 'bargain' purchases add up.

Once you know what you spend, you can identify what you can and can't give up. You may find, for example, that you spend more if you have more money in your wallet. If so, take out less cash at the ATM. Check that you are not spending up a storm on EFTPOS or credit without thinking about the consequences down the line. Set limits.

2. Be realistic

Many people associate budgets with penny pinching and giving up everything which makes life fun. But it doesn't have to be that way.

We often simply don't know what's coming in and what's going out. A budget gets it out in the open and enables us to plan our spending better. Many budgets fail because they're not realistic and don't allow for the little luxuries. The key is to work out which luxuries are worth keeping.

There are a number of ready-made budgets available to guide you through the process. You can download ASIC's free budget plan at www.fido.gov.au. (insert dealer budget url if available on line).

3. Are you getting a good deal?

Some of the biggest savings can be made in negotiating for the best deal on products and services such as phones, internet, health, home, contents and car insurance. It's worth shopping around for the best deal.

4. Your credit cards

Used correctly, credit cards can be great but when used incorrectly, credit cards can wreak havoc on our financial, and emotional, welfare. If you can pay off your card balance in full by the end of each month, then one with an 'interest free' period may be ideal for you. If you do find you have a balance left over each month, then perhaps you're better off on a low interest card, or even a debit card which allows you to access the convenience of online and global shopping power of a credit card, only by spending your own money.

Be wary of store credit cards which may have interest free periods but, if they aren't paid off on time, often have exorbitant interest rates, far higher than a bank. Read the fine print, and pay off the full amount before the interest free period ends.

5. Professional advice

Are you making the most of potential tax offsets and government assistances?

Your financial planner may identify strategies to take advantage of government benefits and tax deductions and offsets available. He or she may also be able to uncover other money saving opportunities such as holding your personal insurances through your super fund.

Speak to the professionals and reap the benefits of their years of experience when balancing the household budget this year.

Some timely reminders as we say goodbye to 2009

Yes, it's hard to believe that yet another year has almost past. With only days to go, it's comforting to reflect upon 2009 as a much better year, after the truly dreadful aftermath of the global financial crisis in 2008. At this time too, we need to remind ourselves of some simple hints on getting through the festive season so that our finances remain intact.

Christmas hints

Interest rates are starting to edge up. If overspending will cause financial strain, reconsider your spending plans. Be realistic about Christmas this year. It is only one day of the year and people will remember your 'presence' more than the presents.

Be organised

Save a percentage of your disposable income throughout the year to provide a nest egg for Christmas expenses.

Plan ahead

You can start planning for Christmas early next year and spread your expenses over the year so you are not left dreading the arrival of bills in January. Buy items that can be shared or get your family to buy Kris Kringle presents up to a set value.

Get in early

Buy your Christmas necessities such as cards, wrapping paper, ribbons and decorations at post-Christmas sales.

New Year Hints

Make a new year's resolution. As another year ticks over, organise a time to see your financial planner to plan for the year ahead.

Super ideas

It's beneficial to check your superannuation return for the last financial year and seek advice on whether your investment strategies are maximised and properly geared to your needs.

Healthy habits

Take care of your health over the holiday period and make sure you have appropriate cover to provide financial support for a range of conditions

The ultimate sacrifice

Making pre-tax income contributions into super is highly tax effective and can ultimately increase your superannuation balance substantially. Ask your accountant or financial adviser for more information.

Easing on out

The introduction of transition to retirement means it's possible to start drawing on your super once you reach preservation age (currently 55) and still keep working part-time. It's definitely worth considering.

Fast Facts

- **60% of Australians dislike Christmas shopping.**
- **20% plan ahead for their shopping expeditions.**
- **About 75% come home from shopping without a purchase.**

Source: Roy Morgan Research

On behalf of all the team here, we wish you and your loved ones a safe festive season filled with love and joy.

NV1029B/A 12.09