The Key

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from Financial Services Partners

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Your mortgage and the interest rate cuts

Over the last few months we've seen significant interest rate cuts. And given that paying off our home loan is the most significant expense most of us will have in our lifetime, rate cuts can potentially have a very real impact. Ensuring your loan is the best on offer can save you thousands of dollars over the life of your loan.

The Australian Securities and Investments Commission's consumer website (www.fido.gov.au) outlines four steps to take in order to make sure you're getting the best deal you can with your mortgage.

Step 1. Shop around to create a list of loans

Draw up a table listing the interest rates, fees and features of your current loan and a few other potential home loans. Talk to your current lender and tell them you are planning to switch to a cheaper loan offered by another lender. They may suggest an alternative loan for you at a cheaper rate or offer to reduce the interest rate in order to keep your business. If you have a variable rate loan, you can consider asking your lender to fix some or all of your loan – this will depend on your personal view of interest rates, your cash flow, and your personal circumstances. Include any loan you are offered in your list of loans.

Step 2. Work out the costs of switching

Add up any exit fees that will apply if you move from your current loan, and the start up fees of the new loan. This is the cost of switching.

Step 3: Compare interest rates, fees and features

Look again at your list of potential loans. Review all options available. This includes:

- the interest rate
- fees, and
- loan features.

This list will enable to you to compare your current loan with other options that are available.

Step 4: Ask yourself if the benefits of switching are worth the costs

You now have the facts before you. Make your decision by comparing the costs of switching with the benefits of switching. Keep in mind that there are different types of mortgages, with varying features; make sure you understand what you are paying for.

Adapted from www.fido.gov.au

Opportunities for retirees

Pension account holders

The government has passed legislation temporarily reducing by 50% the minimum account-based pension payment that pensioners are required to take in 2008/2009. This change will help retirees preserve wealth in a time when the capital value of retirees' pension products may be reduced.

Members with pension accounts now have three options:

1. Continuing to receive their current pension payment amount
2. suspending pension payments for the remainder of this financial year, if the member has already received more than the new lower minimum pension amount, or
3. adjusting pension payments to be received for the remainder of the financial year to reflect the new lower minimum.

If you, with your adviser, decide to reduce your pension payment, you should inform Centrelink. We expect most pension account providers will have written to their members to let them know their options. And as always, your Financial Services Partners adviser is just a phone call or an appointment away if you need personal assistance.

And an opportunity for all retirees

Over the past 12 months some self-funded retirees might find that their portfolio has declined to a point where they are eligible for Centrelink benefits, that is, they might now satisfy the assets or income test. Centrelink apply both tests and the test that results in the lower rate will apply.

Accessing social security benefits allows self-funded retirees to supplement their income through pension payments, utilities allowances (which helps cut electricity, gas and water bills, lower car registration costs and reduce pharmaceutical outlays) and healthcare rebates.

Basic age pension benefit rates as at 20 March 2009 are

- Single $569.80 per fortnight,
- Couple $475.90 per fortnight each

Now might be a worthwhile time to talk to your Financial Services Partners adviser to see if you can become eligible for, or can increase, your age pension benefits.

When to get back into the market?

It's always tempting to try and identify when the market has hit rock bottom. Why would you invest your money now when you don't know whether the market is going to fall further?

Let's face it, 2008 was an extremely rough year. And what seemed like a barrage of bad events impacts on us all, one way or another. 2008 was a year of unprecedented falls, banking collapses, margin calls and general economic malaise. It can be helpful to keep it all in perspective; we've experienced volatile times before and we are guaranteed to have them in the future.

Economists around the world have begun speculating that we may be at the bottom of the current cycle. While basic historical trend market data provides hope that a market turnaround is imminent, we can't be certain that history always repeats itself?[1]

When should I invest?

If we look at the history of the market we know that trying to 'time' when to invest is often risky business. Many people attempt to invest when the market is at its lowest in order to get more gains from their investments. These investors wait until the market falls and then keep on waiting in the hope that it will fall further. We all know though that markets are unpredictable and always will be – waiting to invest may mean you miss out on times of strong returns. Nobody knows when our investment markets will start to show some positive returns again – but we can be certain that at some point this will happen.

It is also the same if you withdraw your investments and sit in cash waiting for the markets to recover – you may end up losing more and missing out on substantial gains that may otherwise have been available to you had you invested elsewhere.

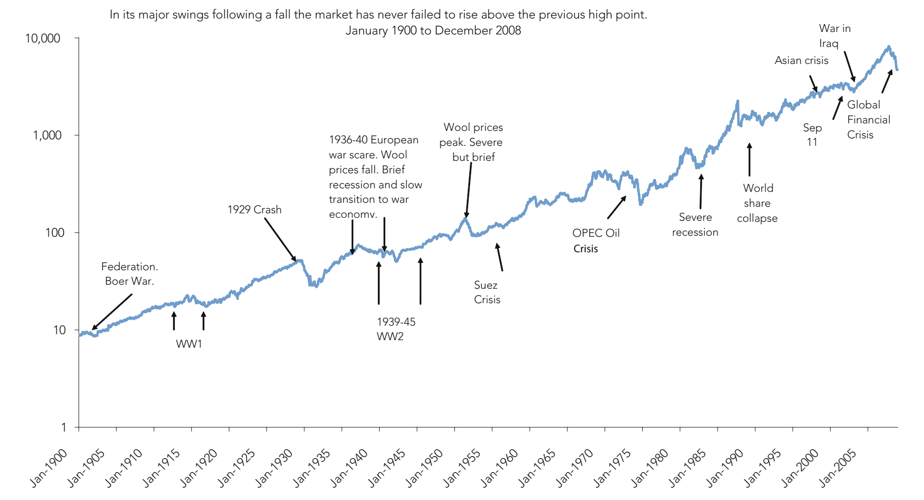
If we take a look at the graph below, you can see that sharemarkets invariably recover, following falls that are significant at the time.

What should I do next?

It is always important to stay focussed on your original plan – making quick decisions or over-reacting to market downturns may see you lose out. Remember, history shows that for every market downturn, the sharemarket has eventually gone on to grow to all-new highs. Even if large losses were initially experienced, investors who maintained their long-term strategy were eventually rewarded[2].

Of course, your personal circumstances will always dictate the course of action that is right for you. A conversation with your adviser will invariably assist if you are feeling uncertain, or wonder what options are available.

1. Zurich Investment Concepts, 2008
2. Zurich Investment Concepts, 2008



Source: Australian Stock Exchange: Commercial & Industrial Index 1900-1936, Sydney All Ordinaries Share Price Index 1936-1979, All Ordinaries Prices Index Dec 1979- Dec 2005, S&P/ASX 300 Accumulation Index Jan 2006 - Dec 2008. Please note, logarithmic numbers used to plot graph

30 June opportunities

It's hard to believe but the end of financial year is fast approaching. There are a number of opportunities that may be explored and we have outlined these for you in the table below. Of course, you'll need to chat with your adviser to identify strategies that suit your circumstances.

Strategy	You may be eligible if you …	Why use this strategy?
Make a concessional (tax deductible) contribution to super	Are self-employed, where income from employment as an employee is less than 10% of total assessable income.	Super contributions are fully tax deductible up to the following limits: • aged 50 or more - $100,000 pa until 2011/12 • aged 49 or less - $50,000 pa
Make a personal (non concessional) contribution to super	• are aged under 65 • are aged between 65 and 74 and still working.*	It makes sense to contribute money to super from after-tax income or savings each year, with contributions limits of up to $150,000 pa applying. If you're aged under 65 you can also bring forward two years of contributions, allowing a contribution of $450,000 in one year.**
Take advantage of the government co-contribution to superannuation	Are aged under 71 and will earn less than $60,342 in 2008/2009 (and earn at least 10% of your total income from eligible employment or self-employment, and make a personal super contribution by 30 June).	The government will make a contribution of up to $1,500 into your super fund.
Make a spouse contribution to super	Are able to make a super contribution on behalf of your non-working or low income-earning spouse (where your spouse's assessable income is less than $13,800 pa).	If you make a spouse contribution to super, you may be able to claim an 18% tax offset on contributions up to $3,000 (a maximum offset of $540 applies) and simultaneously boost your spouse's super savings.
Contribute to super via salary sacrifice.	Are likely to receive a bonus before 30 June, or are able to contribute some more of your income to super on an ongoing basis .	Consider asking your employer to salary sacrifice the bonus payment into superannuation, potentially reducing your tax bill. Keep in mind you must have a legitimate salary sacrifice arrangement in place with your employer before you earn the income you wish to salary sacrifice.
Offset capital gains tax by contributing to super	Have made a capital gain on an asset sale this financial year, and your income from employment (as an employee) is less than 10% of your total assessable income.	Consider making a concessional contribution to super before 30 June, potentially enabling you to reduce your CGT bill whilst also increasing retirement savings.
Defer asset sales to manage capital gains tax	Need to sell a profitable asset.	Consider holding off selling a profitable asset until after 30 June; this can defer or even reduce a CGT liability.
Pre-pay 12 months' interest on an investment loan	If you've borrowed to invest, it may be possible to arrange to pre-pay your interest for up to 13 months before 30 June.	Bring forward the tax deduction and potentially reduce your tax this financial year.
Pre-pay 12 months' income protection insurance premium	If you take out an income protection policy (outside of super) before 30 June, consider paying your premium 12 months in advance.	Bring forward your tax deduction and potentially reduce your tax bill.

* Working means being gainfully employed at least 40 hours over a 30 day period in the relevant financial year.

** Please note this is the maximum non-concessional contribution you will be able to make over 3 financial years.

How do I take action?

Your Financial Services Partners adviser is ready to help you make the most of your 30 June opportunities. It's worthwhile contacting her or him to discuss which opportunities may be available to you. So give your adviser a call or make an appointment soon.

Direct charging at ATMs

On 3 March 2009 some important reforms to Australia's ATM system came into effect. Banks, via their ATMs, are now able to charge ATM users directly for a balance inquiry or withdrawal.

After you insert your ATM card, if there's a fee for your transaction, the ATM will show it on the screen. It's then up to you to decide whether to accept the fee and proceed with the transaction.

'Foreign' ATMs

Previously, many financial institutions charged their cardholders when they used what is called a 'foreign' ATM – that is, an ATM not owned by your bank. You could usually avoid paying these fees by using an ATM owned by your financial institution.

Now, because ATMs will be direct charging, your financial institution no longer needs to charge you for using another bank's ATM. But of course it's likely you'll see some financial institutions still charging for the usage of 'foreign' ATMs – which may see you paying two lots of fees.

When you attempt to withdraw money from an ATM outside your bank's network, you'll find a warning displayed on the screen telling you of a charge, usually about $2.

Why the change?

The change now allows ATM owners to directly compete for business by offering lower charges than other ATMs in the same area. These changes are expected to encourage a more competitive ATM system with access to more ATMs. The Reserve Bank also hopes the reforms will boost competition in the ATM market by making fees more transparent, so customers can "vote with their feet" if fees are too high.

ATM fees can add up so keep an eye on them. You can find out more about the charging of ATM fees from your bank, credit union or building society.

Market Commentary

Australia's economic growth figures (as measured by gross domestic product, GDP) made news in March. Economic growth was weaker than expected at -0.5% for the December quarter 2008. This took the annual pace of growth to just 0.3%, the lowest rate since the end of 1991 (the last recession). This fell 0.8% in the December quarter, following on from a 0.2% fall in the September quarter, meeting one of the technical definitions of a recession, being two consecutive negative quarters of economic growth. '

The International Monetary Fund (IMF) released updated forecasts for global economic growth. The IMF now believes the global economy is set to experience a negative year of growth in 2009 for the first time in 60 years, describing the current environment as "the great recession". In releasing its latest forecast, the IMF now expects the global economy to contract between -1.0% and -0.5% in 2009 before recovering in 2010, with positive growth of between 1.5% and 2.5%.

The $A rose in March as some hints of optimism and risk taking returned to financial markets and the Reserve Bank of Australia (RBA) left official interest rates on hold.

Australian shares

The Australian sharemarket rallied off its lows in March, registering its first positive monthly return since August 2008 and its strongest monthly gain since April 1995. The All Ordinaries index rose 7.1%, but is still down 34.7% over the past 12 months.

A number of policy announcements in the US and UK, early signs of profitability returning to US banks and some signs of stabilisation in the weak economic data saw sharemarkets rise in March.

Global shares

Major overseas sharemarkets recovered in March, with major policy announcements in the US and UK and suggestions that some economic indicators were bottoming. Gains were particularly strong across parts of Asia and in the US, with European markets more muted. The MSCI World index, a broad measure of global shares, rose 7.2% in $US but was down 0.2% in $A. The $A rose 7.4% against the $US in March. Over 12 months, global shares were down 44.0% in $US terms and have fallen 26.1% in $A terms.

Fixed interest

Policy makers continue to work overtime to support their financial system and encourage economic growth. In Australia, this took the form of the Commonwealth Government guaranteeing state government debt, both new and existing, for a fee and on a voluntary, timelimited basis. This effectively changed the 20-year history of the semi state government bond market.

The US and UK introduced quantitative easing as a further tool to ease monetary policy, with official interest rates at the lowest possible level in both countries.

In the UK, the Bank of England also introduced quantitative easing, with plans to initially purchase £75 billion of government bonds.

Listed property

The listed property sector showed signs of stabilisation, finishing the month broadly flat. The sector has fallen 57.6% over 12 months. Signs of optimism returned with renewed policy action to improve the functionality of credit markets and as several large US banks suggested they had returned to profitability in the early months of 2009.

While these signs of optimism are encouraging, the remainder of 2009 could be challenging for the sector as it deals with falling property prices, rising vacancy rates and financing issues.

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