

# The Key

Issue 24 of the latest market insight  
from Financial Services Partners



## In this issue

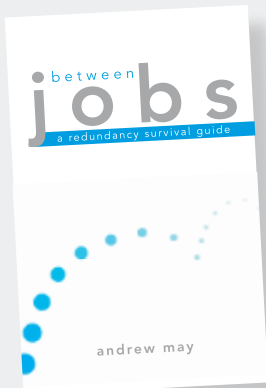
Supporting the  
move into aged care



Managed Funds - A  
closer look



Understanding Debt



## First aid for redundancy

Financial Services Partners and author, performance coach Andrew May, have partnered to write a book that provides first aid for Australians facing redundancy.

The book: *Between jobs – a redundancy survival guide* will be available in bookstores nationally from July 2009. Additional resources will also be available at [www.betweenjobs.com.au](http://www.betweenjobs.com.au).

*Between jobs* tackles the important redundancy issues that until now have not been adequately addressed in one handy location. Topics covered range from understanding your reactions to redundancy, how to tell your partner, your children and friends as well as looking after your thoughts, health, relationships and finances.

"Often our financial advisers are the first line of defence for people who find themselves between jobs so it makes sense that we step up and offer a bit more than financial advice to our clients at what understandably is a stressful time in their lives," said Geoff Rimmer, Chief Executive of Financial Services Partners. "As a result we're pleased to partner with Andrew May to produce what we think should become the base standard for redundancy support. Financial stress can compound the issues around losing your job – but there really is a lot more to surviving it and building a brighter future."

Author of the book, Andrew May, hopes readers will get some immediate comfort and know that they are not alone. "I first saw the impact of redundancy in the 1990's when my father lost his job because of 'economic rationalisation'" said Andrew. "Since that time I've seen many friends experience the same heartache, as well as experiencing it myself. I hope the book provides a practical guide for getting through it and may even lead to people seeing redundancy as a blessing in disguise in the longer term."

Within *Between jobs*, Financial Services Partners offers some information to readers about understanding their entitlements and building a financial battle plan in the short term. One area most people overlook when they experience redundancy is their superannuation and insurance. Many people have insurance through their superannuation fund and are at risk of losing it if they are not working. So it is important they seek advice to ensure they maintain appropriate levels of cover to protect dependants and their wealth. Financial planning for the longer term is also considered.

Financial Services Partners will donate one dollar to their charity, Merry Makers Australia, for every copy of the book sold. For more information about how your Financial Services Partners adviser can assist when you or someone you know is facing redundancy, simply give them a call.





## Recognising the best

Financial Services Partners recognises advisers who deliver outstanding client service each year. With this in mind, we are delighted to invite all clients to consider nominating their adviser for the 2009 Client Choice Award.

Nominating your adviser is easy. Simply complete the nomination form located on our website [www.fspartners.net.au](http://www.fspartners.net.au) and return it to us with your feedback.

Nominations close 21 August 2009.

## Supporting the move in to aged care

When it comes time for a partner, parent or loved one to move into aged care, there are a range of factors to consider. These factors include accommodation, care type, services, government assistance, and estate matters. It's also important that all the associated costs to the individual and family are considered. These are important issues and it's

worthwhile to spend some time planning for the outcomes you're looking for.

A financial adviser can help you understand your options and facilitate the transition to aged care by guiding you through:

- Centrelink rules for self-care accommodation
- Payment of bonds, fees and charges
- Arranging aged care assistance
- Daily care fees and payment options
- Age pension entitlements
- Compulsory asset and income tests
- Asset tax exemptions
- Family home payments or transfer
- Estate planning

If you need assistance around aged-care financial advice, contact a Financial Services Partners adviser.



## Managed funds – a closer look

A common misconception is that when you buy a managed fund investment, you are buying shares in the managed fund business itself. This is not the case. A fund manager helps investors access a range of investments and achieve diversification that most people couldn't afford to access as an individual investor.

Rather than buying shares in different companies, an investor in a managed fund purchases units in the fund. The fund manager then uses investors' money to purchase assets. Like the share price of a company, the unit price of the fund can go up and down as the value of the assets changes.

There are different kinds of fund managers and competition amongst

them is strong. Some fund managers specialise in single asset classes like property or shares, others focus on geographic regions, and others focus on specific industry sectors.

In making their investment decisions, fund managers seek out companies with:

- a track record of earnings and cash flow
- a strong balance sheet
- sound capital structure
- the level of debt, and
- a history of dividends.

Managed funds remain a popular way to invest for a number of reasons. Investors benefit from having experts managing their money, they are relatively easy to access, you can invest for income or growth and young investors can start



building their portfolio with as little as \$1,000.

For more information about how managed funds can work for you, both inside and outside of superannuation, simply contact your Financial Services Partners adviser.





## A life-saving conversation

As a recipient of one of the 726 life saving organ transplants that were performed in Australia during 2005, Financial Services Partners associate Dennis Vandenberg encourages people to start talking about organ and tissue donorship.

Though his condition initially began as a dose of the flu, a heart transplant later became the only thing that could save Dennis' life.

There are currently 1,800 people on the national transplant waiting list<sup>1</sup>, and statistics show that more than one person will die every week in Australia whilst waiting for their organ transplant<sup>1</sup>.

Now a registered donor himself, Dennis is working with Queensland Government Health on bridging the large gap between the number of potential donors and the number of people requiring a transplant in Australia.

For more information or to sign on and potentially save a fellow Australian's life, visit Medicare's Organ Donor Register online at [www.medicareaustralia.gov.au/public/services](http://www.medicareaustralia.gov.au/public/services).

<sup>1</sup> Queensland Government, Queensland Health, Jan 2009, 'Queenslanders Donate Fact Sheet – Organ and Tissue Donorship in Australia'

## Understanding debt

Much has been made of the global credit crisis but does this mean that all debt is now bad? The answer to this question depends on how you use debt as a part of your financial planning.

Bad debt is debt that is used to purchase items of assets that will not increase in value, or increase your potential to earn income. Credit card debt for holidays, cash credit card withdrawals and unchecked mobile phone bills are all examples of bad debt.

Good debt is debt that you use to preserve or grow your assets. Good debt examples include a student loan to upgrade your skill set and earning potential, or borrowing money to invest and claiming the interest as a tax deduction. Borrowing to invest is more commonly known as gearing.

How well you manage your debt will have an enormous impact on your financial future. Our top three tips for managing debt are:

1. Use a budget – if you know what you earn and what you spend, you can manage your cash flow better and avoid bad debt
2. If you find yourself under financial stress, contact the creditor and organise a repayment plan sooner rather than later
3. Consider how you can use good debt to build yourself a brighter future.

If you need help managing debt – both good and bad, remember your Financial Services Partners adviser is ready to assist. And if you have teenagers or young adults in your life, please take the time to talk to them about good and bad debt.



# Market commentary

Gross domestic product (GDP) figures for Australia were released for the March quarter 2009 in June. Australia's GDP rose 0.4% over the quarter, following a 0.6% contraction in the previous quarter. A strong contribution from net exports and government stimulus-induced consumer spending led to the positive quarterly number.

The annual rate of GDP growth slowed to 0.4% at the end of March 2009. Australia has avoided one technical definition of recession, being two consecutive quarters of negative GDP growth. While this is a positive, it is important to focus on the composition of growth and on the view expressed by the RBA Governor that the 'two consecutive quarters of negative growth' definition is not very useful. Attention needs to be paid to unemployment and the income side of the economy, both of which have showed weakness in recent periods.

The International Monetary Fund (IMF), World Bank and Organisation for Economic Cooperation and Development (OECD) all made changes to economic growth forecasts over the month. The IMF upgraded its outlook for the Australian economy in 2009. Economic growth was revised from -1.4% to -0.5%.

The \$A rose slightly over the month to end at US 80.75 cents, a gain of 1.0% over the month. The \$A continued to rally as market sentiment improved and commodity prices rose.

## Australian shares

The S&P/ASX 200 Accumulation Index rose 4.0% in June but finished the 2008/09 financial year down 20.1%, the worst performance for the

Australian sharemarket since 1981-82. The bright spot is that since the low on 6 March 2009, the S&P/ASX 200 Accumulation Index has risen 27.0%.

The Australian sharemarket rose for the fourth consecutive month in June. This is the first fourth-month consecutive gain since the period between February and May 2007.

Driving the Australian sharemarket over the month were changes to profit forecasts and more capital raisings. Over the past 12 months, over \$A50bn has been raised in the Australian sharemarket. This month saw Asciano raise over \$A1bn, while Macquarie Leisure Trust, MacArthur Coal, ING Office Fund, Mirvac Group and a number of small miners also raised capital. Financing conditions and bank lending remain tight for businesses in Australia, especially small businesses, and could be an impediment to growth in the remainder of 2009.

## Global shares

The major global equity markets were mixed in June. The MSCI World Index fell 0.6% in \$US and 1.6% in \$A terms. Over 12 months, global shares were down 31.2% in \$US and have fallen 18.5% in \$A.

In the US, ten banks repaid money lent from the government as part of the Troubled Asset Relief Program (TARP). This involved buying back preferred shares sold to the government at the height of the global financial crisis. At the same time President Obama announced plans for regulatory changes as a result of the global financial crisis.

## Fixed interest

In both Australia and globally, fixed interest markets appeared more settled over the month. The Reserve

Bank of Australia (RBA) left official interest rates on hold in June at 3.00%. In leaving interest rates on hold, the RBA noted improving confidence levels, evidence that the global economy was stabilising and better conditions in financial markets.

In the US, 10 year bond yields rose over the month and traded in a wide range, as high as 3.95% and as low as 3.48%. Elsewhere, 10 year bond yields fell over the month with economic conditions in the UK, Europe and Japan remaining weak. They stand at 3.39% in the UK, 1.38% in Japan and 3.69% in Europe.

## Listed property

The listed property sector rose for the second consecutive month in June, rising 4.6%. The sector has undertaken a large work-out programme over the past 12 months, raising capital and setting more realistic earnings expectations. The sector is also trading on a firm yield which has started to prove attractive to investors.

**Written by:** Colonial First State. Colonial First State Investments Limited ABN 98 002 348 352 AFS Licence Number 232468. This article is not advice. Information in this publication, which is taken from sources other than Colonial First State is believed to be accurate. However, subject to any contrary provision in any applicable law, neither Colonial First State nor any of its related parties, their employees or directors, provides any warranty of accuracy or reliability in relation to such information or accepts any liability to any person who relies on it.

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