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MARINER MORTGAGE FUND - FROZEN FUND REDEMPTION WINDOW

Clients with Mariner Mortgage Fund in their portfolio's would have received notification from ASGARD that another redemption window is opening in March.

Boutique has automatically re-submitted previously signed authorities for you to participate in this redemption opportunity. You do not need to do anything. We will continue to automatically re-submit until all units have been redeemed from this investment. Please contact your Adviser if you have any queries.



30% INVESTMENT ALLOWANCE

The government has finally released draft legislation on an additional tax deduction of up to 30% for investments in new assets.

Here's an example of some of the benefits of using a chattel mortgage/hire purchase to finance the purchase of a new motor vehicle costing \$50,000 + GST of \$5,000 before 30th June 2009:

- An additional \$15,000 tax deduction for the 2008-09 year, being the investment allowance
- \$5,000 input tax credit for GST paid on purchase of the motor vehicle (where applicable)
- Tax deductions for depreciation (based on a cost of \$50,000) and interest on the loan
- No initial capital outlay/deposit.

The tax break provides commercial clients with a narrow investment window for obtaining the deduction.

Contact Shane Will now to discuss how you could take advantage of this opportunity.

WELCOME KATE MAINWARING

Kate Mainwaring joined us in February 2009 as our Personal Risk Specialist. She advises and guides our clients towards making informed choices about the risks they are exposed to, and how to minimise their effects by making sure they have adequate insurance.

Kate previously worked as a GP in the UK before deciding to pursue an alternative career path combining both her medical and financial services knowledge.

Kate holds a Diploma of Financial Services, Bachelor of Science and Bachelor of Medicine & Surgery (Hons) and is currently completing her Advanced Diploma in Financial Services.



SHANE WILL
Senior Mortgage Consultant



BOUTIQUE FINANCE NEWS

After five consecutive rate cuts since September last year the Reserve Bank of Australia (RBA) has finally applied the brakes while it takes stock of the current situation.

At its March meeting the RBA decided to leave rates at 3.25 per cent. While the news will probably disappoint borrowers across Australia banking on another rate cut, conversely it's a good sign that the government has confidence in the current state of the economy and the actions it has undertaken to help bolster the financial system.

We are now nearing the point when borrowers on variable rates should seriously consider fixing part, or all, of their mortgage.

If you're thinking about fixing your interest rate, please contact me so we can discuss options. We can also look at your debt profile and any future plans you may have for moving house or building a property investment portfolio.

With interest rates at their lowest point in forty years, borrowers should also consider how they can reduce their mortgage.

I would like to take this opportunity to welcome Yvonne Stoddart to the finance team. Yvonne joins us from Westpac where she worked in customer service for 5 years. Yvonne takes over from Joanne Maxwell who has decided on a 'seachange' and has moved to Tasmania. We wish Joanne all the best on her new adventure.

If you have any questions or would like to discuss your financing needs, please feel free to contact me on 9381 8779.

Sincerely,

Shane Will
Boutique Finance Group
FB Lic No. 4020



Setting the scene for 2009

The current economic and financial backdrop for markets is the most challenging since the Great Depression in the 1930s:

- The global economy is in a severe synchronised downturn.
- The inflation scare of 2008 turned out to be a giant fake and now deflation is the big risk.
- The financial system has been totally overwhelmed by losses on an enormous scale.

It is not true that this is unprecedented. It has all happened before, but not in our life time. Short of conducting a séance with policy makers and investors of the 1930s we are left on for practitioners with hands-on experience of this kind of environment! We can read the books and study the history, but economics is not a scientific experiment so uncertainty and flexibility must be over-riding considerations in the outlook.

There are some reasons to get excited about the outlook for equities. For example, the 10 year return from US equities of -0.3% per annum is the lowest since the 10 year periods ending in 1937, 1938 and 1939. Such periods of disappointing returns are normally followed by strong returns as the risk of a major fall in the valuation of the market dissipates. Equity valuations are more attractive relative to bonds than any time since the early 1980s, which immediately preceded a great bull market.

Despite these encouraging signposts, in 2009 and 2010, the global economy will be characterised by private sector retrenchment on a massive scale. It is unavoidable. Credit will be difficult to get from an impaired financial system. Households will be looking to repair their 'balance sheets' by increasing savings. And companies will be curtailing their activities as profits fall and capital is hard to access. The net result is that private sector demand (about 80% of the economy in the developed world) will be very restrained under the most optimistic scenarios in the next few years.

On the other side is a huge expansion in the public sector as policy makers are reacting very aggressively to counter the collapse in private demand. Policy makers around the world are operating on a number of fronts:

- Fiscal policy is being eased dramatically around the world as governments crank up spending, tax cuts and hand-outs to try and fill the hole in demand;
- Interest rates have been slashed to multi-decade (or in the case of the UK, multi-century) lows; and
- Repair of the financial system through capital injections, liquidity measures and insuring losses from bad assets.

The problem is it is impossible to calibrate the response precisely. If it works, we might get a nasty dose of global inflation in 3 to 5 years time. If it doesn't, the recession this year will



be much more severe and any recovery will be postponed past the second half of this year. In this environment deflation could become entrenched. The market is expecting a recovery in the second half of this year, which appears to be the best case scenario, so there is plenty of room for disappointment.

In addition, the valuation case for equities over bonds is not as clear cut as many would have you believe. It is true that equities appear as cheap as anytime in the past 25 years. Price to earnings ratios are less than 10 in Europe and less than 15 in the US against a backdrop of extremely low interest rates (policy rates are zero to 2% in the US, Japan, UK and Europe and bond yields are at multi-decade lows). Consequently, the earnings yield of the US equity market has now reached its cheapest level compared to real bond yields in 25 years.

A longer history, however, reveals a much more ambiguous outcome. In fact, if we go back 85 years equities are around fair value relative to bonds. This suggests to us that the relative performance of equities and bonds will depend on the economy. If the global economy begins a sustainable recovery in the second half of 2009 it could be expected that equities will handsomely out-perform bonds this year. Conversely, if the

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US personal savings rate increasing to more normal levels

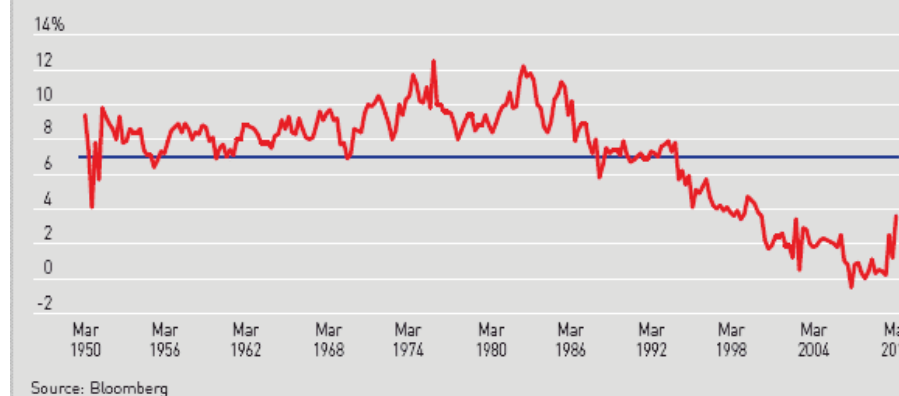


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THE GOVERNMENT'S SECOND STIMULUS PACKAGE

On 3 February 2009, the Government announced a \$42 billion Nation Building and Jobs Plan as its second stimulus package. In response to the current economic environment the plan is designed to support jobs in the current economic climate as well as investing in long term economic growth. There were some changes made post announcement as legislation went through Parliament but largely the measures have remained intact.

The package comprised the following elements:

- one-off cash payments for eligible families, individual workers, students, drought affected farmers and others
- a temporary investment tax break for small and general businesses buying eligible assets
- free ceiling insulation (capped at \$1,600 per house over 3 years) for around 2.7 million Australian homes - available from 1 July 2009 until 31 December 2011 to all Australian owner occupiers who currently don't have ceiling insulation.
- building or upgrading a building in every one of Australia's 9,540 schools
- building more than 20,000 new defence homes
- significant increased funding for local community infrastructure and local road projects.

Further information on the package can be obtained from the Treasurer's website at www.treasurer.gov.au under media releases. Please contact us if you are unsure of how you will benefit from the stimulus package.

Setting the scene for 2009 (...continued)

economic recovery is late, or disappointing, bonds might continue to out-perform equities.

Australian economic outlook on a knife edge

Against this backdrop, the outlook for the Australian economy is delicately poised. There is no doubt the policy response from the Reserve Bank and the government has been emphatic. Moreover, the monetary policy transmission mechanism in Australia still works as is evidenced by the big fall in the variable mortgage rate (as the banks have been able to pass on much of the fall in cash rates). But the global headwinds are at gale force. This is the deepest global recession since WWII and Australia's trading partners are being hit hard.

The Australian economy shares many of the same characteristics as the other Anglo economies which are now all in recession, namely – a very large current account deficit, very low household savings rate, a huge boom in real estate and high household debt levels. So far, we have been somewhat insulated from the global economic fall-out by the strong performance of the banks and by the sky-high contract prices negotiated for coal and iron ore last year. A big fall in these prices is all but assured in the June quarter. At that time, we may look like most of the other Anglo economies – just 6 to 9 months behind.

There is, however, one glimmer of light. The China boom has, of course, been instrumental in Australia's current prosperity. The Chinese economy slowed precipitately at the end of last year and the Chinese authorities have responded with a dramatic easing of monetary and fiscal policy. There are some tentative signs that these policy measures might be working (including a pick up in bank lending, money supply and some marginal improvement in purchasing manager indices). If this translates

into increased spending, the recession in Australia may be quite shallow. If not, the terms of trade are likely to crash down in the next couple of years implying a severe hit to Australia's national income. The success of the Chinese authorities in restarting growth will be critical to the performance of the Australian economy.

Conclusion

- The risk to the consensus expectation of a recovery in global growth in the second half of this year is clearly to the downside. Australia is 6 to 9 months behind in this economic cycle.

- Excessive debt of households and businesses will continue to be a major theme in markets as scarce capital will make high gearing either unavailable or very expensive.

- Current account deficits will matter for currency markets in a capital constrained world. Attracting capital inflows to fund a large current account deficit will likely require a cheaper currency.

- Listed growth assets may make their lows this year, but unlisted growth assets (which have out-performed so far) are likely to have a multi-year correction.

- Government bonds are expensive but are likely to stay that way given the near term prospects of deflation in the major economies. Monetary policy will stay extremely accommodative for a long time with zero or near zero interest rates in many of the major economies. Moreover, quantitative easing (where the central bank buys government bonds and/or other assets) will be required in order to ease financial conditions when real interest rates are too high because of deflation.

DEEMING RATES LOWERED

The government recently announced that it will lower the Social Security Income Test deeming rates. This is to reflect the recent reduction in interest rates and the impact the global financial crisis is having on the returns from pensioner's investments.

From 20th March 2009, the deeming rate will change as follows:

Deeming (financial investments) as at 20th March 2009				
Single	<\$41,000	2%	>\$41,000	3%
Couple, Pensioner	<\$68,200	2%	>\$68,200	3%
Couple each, non-pensioner	<\$34,100	2%	>\$34,100	3%

These changes will affect payments including means tested pensions (such as the Age Pension, the Disability Support Pension and Carer Payment) and various income support allowances and supplements.

While this will not impact pensioners that are already paid at the maximum rate, those with financial investments (eg term deposits, shares and managed investments) that are currently eligible for a part-pension may receive an increase in their pension entitlement.

Clients already receiving a part-pension would have automatically benefitted from the deeming rate changes.

We encourage all of our self-funded retirees to contact their respective Advisers if they feel that the change in deeming rates directly affects their eligibility for their Centrelink Entitlements.

DRAWDOWN RELIEF FOR RETIREES

Treasurer Wayne Swan and Senator Nick Sherry, Minister for Superannuation and Corporate Law, announced relief from minimum account-based pension draw down requirements.

The measure responds to concerns that meeting the minimum draw down amount in 2008 09 will mean having to sell investments assets and realise losses in a depressed market.

"The Government recognises that the significant downturn in global financial markets has had a negative effect on retirees' superannuation capital in account-based pensions," the Treasurer said.

"In response to these legitimate concerns, the Government will suspend the minimum drawdown requirement for account-based pensions for the second half of 2008-09," Minister Sherry said.

"This will occur through a 50 per cent reduction in the minimum payment amount for 2008 09," Minister Sherry said.

For those people who have already taken half of the current minimum payment for 2008-09, the annual nature of the minimum payment rules means that a further payment will not be required until the end of the 2009-10 year.

Currently, it is a requirement that minimum payments be made from a superannuation account-based pension at least annually. Minimum payments are determined by age and the value of the account balance as at 1 July each year. The minimum annual payment rule is designed so that retirees draw down on their superannuation capital over their retirement. This rule recognises that superannuation is designed as a retirement savings vehicle with substantial tax concessions.

The temporary suspension of the minimum payment requirement will apply to account based annuities and pensions (payable since 1 July, 2007); allocated annuities and pensions (pre-dating the Better Super changes); account-based and allocated pensions payable from Retirement Savings Accounts, and market-linked (term allocated) annuities and pensions.

This legislation was only passed recently on the 16th March 2009. ASGARD is currently in the process of amending their systems to accommodate this legislative change. We will send out additional information on how to benefit from this drawdown relief as it comes to hand.

TIPS FOR TURBULENT TIMES

The current investment climate is certainly a challenging one. The former Chairman of the US Federal Reserve, Alan Greenspan, was quoted as saying that the current financial crisis is a once in a lifetime event and the worst since the Great Depression.

So what should investors do in these turbulent times?

1. Resist the urge to 'panic sell'. It has been said that the sharemarket is a mechanism to move wealth from the impatient to the patient. History tells us that a well diversified portfolio will perform over time. Nobody ever made money selling low (and buying high).
2. Broaden the time frame for measuring results. The newspapers are full of the current 'tales of woe' and it is true that most diversified share portfolios have produced negative returns over the past twelve months. But long-term investing requires a certain commitment to withstand these downturns; the reward for which is superior investment returns over five to seven years.
3. Maintain your superannuation contributions. Has the share market bottomed? Are there further stocks to come or is it mostly upside from here? When will the benefits of the US Treasury's \$700 billion bailout plan be seen by investors? There are not too many experts who could answer these questions with certainty. Rather than avoid the uncertainty, combine the lower tax rate of super with a constant regular investment to take advantage of falling asset values and mitigate against rising asset prices. Pre-tax super contributions are subject to a maximum tax rate of 15% as are earnings inside the superannuation fund. This compares very favourably to the marginal tax rate of most working Australians.
4. Avoid the allure of last year's best performer and maintain diversification discipline. Over the period 1979 – 2008, cash as an asset class was the best performer in two of those years and the worst performer in four. By comparison, Australian Shares was the best performer in seven of those years and the worst performer in two. Australian Shares backed up two or more consecutive years as the best performing asset class on two occasions. Cash has never recorded consecutive number one rankings. Take coincidence out of the equations and maintain a diversified portfolio across Shares, Property, Bonds and Cash.

INSURANCE - ARE YOU ADEQUATELY COVERED?

- If you were to die how important is it to you that your family is provided for?
- Who would provide for your family if you were not here? Who would be responsible for paying your debts?
- If you were unable to work would you/ your family be able to meet your regular living expenses such as clothing, food, electricity?

Illness and injury are unfortunate parts of life. In these tough economical times our assets are not what they were, we have less money to go around, and very little, if any, savings.

Should illness/injury strike, what have you got to fall back on to pay your bills and regular living expenses if your income is not there?

Chances are it will happen to you or someone in your family.

- Every working Australian has a 1 in 3 chance of becoming disabled for more than 3 months before turning 65.
- You have a 1 in 3 chance of suffering a major medical illness (e.g. cancer, heart disease) between the ages of 30 and 64.
- 1 in 3 men and 1 in 4 women will suffer from cancer before age 75.
- Chances of getting heart disease in your lifetime are 1 in 2 for 40 year old males and 1 in 3 for 40 year old females.

Now is the time to consider getting some cover.

Income Protection will cover up to 75% of your income while you can not work due to illness or injury. The knowledge that your family's ability to pay your home loan and other expenses is unaffected by your time away from work can greatly help your recovery.

Trauma Insurance will provide you with a lump sum if you suffer a major medical illness or trauma. This gives you the financial flexibility to use the money as you need. Perhaps you could pay off debts, cover the cost of medical treatment/rehabilitation, home modifications that may be required or even allow you to take the family on a much needed holiday.

Life Insurance is there to make sure your loved ones are provided for should you die or suffer a terminal illness. A lump sum when you're suffering from a terminal illness can allow you to pay for all medical costs as well as giving your partner the flexibility to take time off work to spend time together. It will leave your family with the ability to eliminate your home loan, cover educational expenses, and provide an income for the family to live off.

If you would like to discuss your options further and protect yourself now for potentially difficult times ahead contact Kate Mainwaring, our Personal Risk Specialist.