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GARY'S CHRISTMAS CAKE RECIPE

If you haven't got your Christmas cake yet, don't despair. Here is Gary's special Christmas recipe to help you save the day.

GARY'S CHRISTMAS CAKE RECIPE

Ingredients:
1 cup water, 1 teaspoon baking soda, 1 cup sugar, 1 teaspoon salt, 1 cup brown sugar, lemon juice, 4 large eggs, lots of nuts, 1 bottle scotch, 2 cups dried fruit

Method:
Sample scotch to check quality. Take a large bowl, check scotch. Repeat. Turn on mixer. Beat 1 cup butter in large fluffy bowl. Add 1 teaspoon sugar. Beat again. Make sure scotch OK. Turn off mixer. Break 2 eggs and add to bowl and chuck in cup of dried fruit. Pick fruit off floor. Mix on the turner. If fried druit gets stuck in beaterers pry it loose with sdrewsdriver. Sample scotch for tonsisticity. Sift 2 cups salt. Or something. Check scotch. Strain your nuts. Add 1 table. Add 1 spoon sugar. Greash oven. Turn cake tin 360 degrees. Try not to fall over. Beat off turner.

Cherry Mistmas!



MOVEMBER!

November, the month formally known as November is a charity event held during November each year.

This year Boutique Wealth Management Group actively participated.

November participants have the month of November to grow and groom their moustache and along the way raise as much money and awareness about male health issues as possible, in particular Prostate Cancer & Male Depression.

We did manage to raise a generous amount for the charities involved.

We would like to thank-you for your support and understanding during the month of November.

As you can see from the photos our Advisers did look a little unusual. With a little prompting all moustaches have been shaved off and their normal good looks restored.



THE ECONOMY, THE SHARE MARKETS & THE DOLLAR

Global share markets continue to wax and wane between pessimism and optimism. Pessimism – about continued fallout from the sub-prime crisis and implications for the US economy. And optimism – about a fair chance of the US avoiding recession and good prospects for the global economy, based on the continued expansion in China, India and other developing countries.

Bad news continues to come from the US housing market and financial companies affected by bad home loans and related securities. The combination of falling house prices and higher energy prices has had a dampening impact on consumer spending. This slows economic growth and increases the risk of recession.

However the majority view is the US should manage to avoid recession, helped by a strong corporate sector, slowing imports and rising exports and further easing of interest rates by the US Federal Reserve Bank. At the end of October the Fed forecast the economy would slow down in 2008 but would still grow at a rate of between 1.8 and 2.5%. That's slow but not recession!

More broadly the global economy as a whole is in good shape. Developing countries now account for 30% of world GDP and are growing at 6% pa on average. At this rate, some predict, it will take three years for Emerging Asia, including China and India, to deliver a larger contribution to global economic growth than the US economy. China is still in the early days of industrialisation. And here in Australia, especially, the China-driven demand will continue to power our economy.

The good news is also that valuations of global share markets remain favourable and the Australian share market is only slightly above its long term price/earnings trend. Overall, this suggests that although the ride will remain volatile while the US economic worries persist, the trend in share markets is likely to remain up.

The strength of the global economy is good for the Australian dollar. A strong global economy means strong commodity prices, which provide support for the A\$. Australia is a major supplier of commodities (particularly iron ore, energy, precious metals and wheat). Over the twelve months to end of September the A\$ stood out as the strongest major currency, having risen 19.1% against USD, 15.6% against Yen, 5.7% against

Euro and 8.9% against the Pound Sterling. It has reached US 94 cents on November 7 before easing back to high US 80's cents lately.

Another reason for the strong A\$ is the interest rate differential between Australia and other developed economies. Australian interest rates are still rising at a time when US interest rates are falling and European and Japanese interest rates look to have topped out. Our official cash rate is 6.75%, compared with 4.50% in the US, 4.00% in Eurozone, 5.75% in the UK and just 0.5% in Japan! This will continue to attract cash to Australia.

The so-called "Yen carry trade", where investors borrow in Japanese Yen at very low interest rates and invest in higher yielding assets around the world, brings enormous amounts of money to Australia. While this is subject to reversals every time global investors get nervous, as was the case in August and more recently in November, with Japanese interest rates set to remain well below Australian interest rates the carry trade is likely to remain in place for a while to come.

A stronger A\$ is good news for Australian consumers as it will mean lower prices for imported items. Imports account for nearly 30% of consumption goods. For the broader economy and share market, a stronger A\$ is normally seen as bad as export companies become less competitive and the earnings of many companies deriving income overseas suffer.

However, the actual relationship between the A\$ and the Australian share market is ambiguous as historically there is no clear correlation between the two.

For Australian investors in overseas markets, a rising Australian dollar can be a painful experience as the value of the overseas holdings in A\$ terms falls – unless the investment is "hedged" back to A\$.

It can be argued that, based on relative consumer prices in the US and Australia, the A\$ is significantly overvalued and a level of around US 70 to 75 cents would be more realistic. There is also a view that once stability returns to US housing and credit markets, the US dollar will strengthen, possibly as early as mid next year.

According to the quarterly survey of economists (25 participants) published by the Financial Review on 5 November 2007 the outlook for the Australian dollar is quite solid in the medium term. The median forecasts for the A\$ at the end of December and the end of March were US\$0.91 and US\$0.93, respectively. However, there was a considerable diversity of individual views on A\$, ranging from expectation of parity with US\$ within the next six months to a decline to low US 80's cents.



BOUTIQUE VALUE PROPOSITION

- **Consistently Excellent Customer Service**
- **Focus on Building Strong Relationships**
- **Considered Advice that is thoroughly explained and easily understood**
- **Honesty and Integrity in our dealings**
- **Comprehensive yet simple solutions to client problems**

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LOGIC QUIZ

Four people need to cross a rickety rope bridge to get back to their camp at night. Unfortunately, they only have one flashlight and it only has enough light left for seventeen minutes. The bridge is too dangerous to cross without a flashlight, and it's only strong enough to support two people at any given time.

Each of the campers walks at a different speed. One can cross the bridge in 1 minute, another in 2 minutes, the third in 5 minutes, and the slow coach takes 10 minutes to cross. How do the campers make it across in 17 minutes?

Stumped? Contact your Boutique Adviser for the Answer.

A BIG THANK YOU!

Thanks to all who have referred friends, family and colleagues to Boutique Wealth Management over the past year.

This is the greatest compliment we can receive.

As our business has grown, we are happy to receive further referrals and would be delighted to offer the same level of service and advice as we have to all existing clients.

Thank you once again.



SUB-PRIME CREDIT CRISIS

There has been so much speculation in the press about the 'Sub Prime Credit Crisis' that it warrants some discussion.

In America, sub-prime means that the borrower is below being a "prime" candidate for a mortgage, in other words they are a poor credit risk.

What this means is that in the United States, borrowers with little or no income, little or no equity and a poor credit history have been "given" variable interest rate mortgages they could never have been able to afford. In simple terms these are high-risk loans.

So it should come as no surprise that earlier this year one in every eight U.S. sub-prime loans was in default, with projections of this number doubling over the next year or so.

Why would lending institutions allow themselves to get into such a precarious position? I guess they thought they had a system designed to mitigate their risk yet still make a profit.

What happened was that once the lenders had "sold" the loan to a client they then packaged up the loans as Collateralized Debt Obligations (CDOs) and sold them to other institutions such as hedge funds, mutual funds and private equity groups looking for a high return on their investments.

To make matters worse, many of these CDO buyers used borrowed funds, in some cases upwards of 90%, thus adding another layer of debt on top of an already shaky foundation. The shares of these companies were then bought by pension funds and insurance companies looking for high returns. However, these same funds would never have bought the risky mortgages outright.

You can see how this has rippled out into all areas of the financial markets.

The good news is that Australian lending rules are different and our no doc and low doc loans are not "sub prime loans."

Sure there are some lenders who help financially disadvantaged "sub prime" borrowers, but these loans are only in the minority. While sub-prime mortgages represent 20 per cent of the total US market, they only account for two per cent of Australian mortgages. And unlike in the USA, in Australian loans must be insured protecting the lender from loss.

While the higher cost of funding for lenders may be passed on to some Australian borrowers, unlike its American counterpart, the Australian housing market has not been artificially driven by bad lending practices. It has been driven by our strong economy, increasing population and demographic demand and diminishing supply of available properties. This will provide Australian home owners and investors continued long-term resiliency.

One or two years from now, we'll look back and wonder what all the fuss was about and those who took advantage of the current Australian property markets will wonder why they didn't buy more properties while so many of us were procrastinating.

CHRISTMAS CLOSURE

Our office will be closed from midday on Friday 21st December and will be re-opening on Monday the 7th January 2008. As you can appreciate, we are all away with our families over the festive period. However, if anything urgent occurs please contact your Investment Manager directly.

BOUTIQUE

WEALTH MANAGEMENT GROUP

TIDY UP THOSE SHARES

On our website you will notice an E*trade icon.

Boutique Wealth Management together with E*trade have developed a website only for Boutique Wealth Management clients that will allow clients to use Boutique as their CHESS holder for shares. It will also allow our clients after opening an account to trade shares at a discount rate.

For those of you that have shares dotted around and are sick of multiple Chess Statements through brokers you do not know – then we have created the answer.

Call one of our staff to open up an account or try the website and fax through your completed new account form. There is no cost for this service and it will make your financial management so much easier!



LENDING HEALTH CHECK

If you have a property and are in debt or are struggling to pay your existing mortgage, a lending health check may be an option for you.

A loan health check will cover the following:

- Compare your current interest rate/s against the best in the market
- Analysis of your lending and equity position for further borrowings & possible investments and/or investment property/ies
- Provide you with a comprehensive comparison report, loan worksheet and summary report of any recommendations
- Show you ways to payout your loan sooner and possibly save thousands of dollars
- We will meet with you at your convenience to discuss all of the above – All with no obligation. What happens with the information we provide is up to you.

To arrange a no obligation lending health check appointment, please call Shane Will of Boutique Finance on 08 9381 8779.

ELECTION 2007 - Impact of the ALP win

The election of the Australian Labor Party (ALP) will have a number of consequences for investors and retirees. The following initiatives formed part of the ALP's election and policy platform and may become law in the near future.

Taxation

- Tax cuts over the next 6 years aspiring to a taxation regime with three marginal rates – 15%, 30% and 40%. The changes proposed for the next financial year are as follows.

CURRENT		FROM 1 JULY 2008	
Taxable income \$	Tax rate	Taxable income \$	Tax rate
0 - 6,000	0%	0 – 6,000	0%
6,001 – 30,000	15%	6,001 – 34,000	15%
30,001 – 75,000	30%	34,001 – 80,000	30%
75,000+	40%	80,001 – 180,000	37%
150,001 +	45%	180,001 +	45%

- The effective tax free threshold would increase from \$11,000 to \$16,000 through an increase in the Low Income Tax Offset (LITO) from the current \$750 to \$1,200 next year and \$1,500 by 2010-11 and then increase to \$20,000 through a further increase in the LITO to \$2,100 by 2013-14.

50% Education Tax Refund

Eligible parents will be able to claim a:

- 50 per cent refund every year for up to \$750 of education expenses for each child attending primary school (maximum \$375 per child, per year).
- 50 per cent refund every year for up to \$1,500 of education expenses for each child attending secondary school (maximum \$750 per child, per year).

50% Child Care Rebate

The child care rebate will increase to 50% (currently 30%) and will cover up to \$7,500 of out-of-pocket expenses per child paid quarterly.

Social Security

The following measures would apply from March 2008.

- The Utilities Allowance will increase for Age and Veterans Service Pensioners who will receive a quarterly payment of \$125. This equates to an annual payment of \$500 for singles and \$500 for a couple.
- Carer Payment and Disability Support Pension recipients will receive the Utilities Allowance, as above, for the first time
- Commonwealth Seniors Health Card recipients will receive an increase in the Seniors Concession Allowance. A quarterly payment \$125 will be made to eligible recipients.
- The Telephone Allowance will increase by 50% from \$88 to \$132 per year.