



# BOUTIQUE

WEALTH MANAGEMENT GROUP

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# Saving Private Industry

The parliamentary encounter we have experienced to date, regarding the introduction of a Carbon Tax, was a mere skirmish. The real political battle for the hearts and minds, not to mention the redistribution of wealth and income, starts now.

**Make no mistake; the introduction of a Carbon Tax is a VERY big deal.**

Because the bulk of the compensation comes via adjustments to the personal income tax scales, the package achieves a high level of efficiency. (Whether offering relatively high levels of compensation precludes any alteration to individual behaviour is another matter). It also tangentially addresses some issues about the cost of transitioning from welfare to work, which is to be applauded.

More questionable is the formation of the \$10 billion Clean Energy Finance Corporation. This is essentially a government administered handout scheme to encourage renewable energy development. The problem being by its very nature it must attempt to pick winners and if previous schemes are anything to go by, judgement and efficiency are not strong suits for the public service, not to mention execution.

## Basic Instinct

This carbon tax/trading scheme, politics aside, is fundamentally supposed to be about changing behaviour, right? So, basically you need to change consumer and/or business behaviour. If you are fully compensating two thirds of consumers and the rest (if we believe the modeling) are high income earners who are circa \$10 a week worse off; care factor zero. So that leaves business.

Well 500 companies will feel some serious pain, but the positive and negative comments have come out strictly in line with vested interests. So those screaming loudest (coal miners, manufacturers, etc) say their compensation is inadequate. Maybe. Those fawning over the

package (steelmakers, etc) have clearly been well compensated - despite questionable comparative advantage on the global stage.

My biggest issue with this venture is that if you don't seriously attempt to change consumer behaviour then you MUST change business behaviour. OK so the package penalises heavy polluters, but where are the serious incentives to invest in new base load power generation?

No, not "green" power. If you rule out nuclear, then the only serious options for base load power to do the heavy lifting are coal or gas. Sequestration of carbon from coal fired power stations might be viable some time in the future, but for now if you are paying brown coal-fired power stations in Victoria to shut down surely you need to provide incentives for investors to back gas alternatives.

Simply focusing on eliminating what you don't want (i.e. coal) doesn't mean the alternative you do want magically appears. Sure, as an investor the relative attractiveness of gas increases. But relative to other investment alternatives (simply shipping the stuff to China, gold, rare earths, whatever) the gas fired generation may not get the dollars. Every investment decision is relative.

**Australia is leading the world in carbon reduction!**

Seriously? Or are we taking a high risk path with questionable impacts on the global carbon footprint?

One big economic issue is that studies by the Productivity Commission focused on our major trading partners and found our action was not out of kilter. True.

Problem is they are not our competitors. By definition countries trade for mutual advantage - when they both have something the other wants. None of the world's major energy exporters have a serious carbon reduction scheme. Result - serious competitive disadvantage for us until the rest of the world catches up.

Morally the intent is unquestionably correct.



Economically it is a high risk path that creates massive dislocation industry by industry; massive winners in renewables, massive losers in fossil fuels, transport, etc. As Dr Ziggy Swikowski was quoted as saying in the Australian "We will throw out our historical competitive advantage in energy to pursue a noble goal of reducing our carbon emissions - no other country has done this".

**Matthew Drennan**  
Zurich Investments

*Important Information: The above information is general in nature. It is given in good faith and is derived from sources believed to be accurate as at this date, which may be subject to change. It does not take into account the personal financial circumstances, needs or objectives of any person. When making investment decisions we recommend investors consider seeking professional financial advice. Past performance is not a reliable indicator of future performance.*

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# Is your Income Protected?

**Did you know that your income is your greatest asset?** The income that you earn today — and your potential to earn an income until you retire — is key to your family's financial future.

While most of us understand it's important to insure our home and its contents, our cars and our jewellery, we underestimate the importance of protecting our most valuable asset – our income.

Did you know that the chances of something happening to your health, leaving you unable to work or earn an income is greater than the chances of your car being stolen or your home destroyed.

Many people also believe that Medicare, government support payments and personal savings will be enough to cover medical bills in the event of illness or injury. But what happens if you are ill for an extended period of time or require constant specialist treatment? Do you have enough to cover regular ongoing expenses like rent, mortgage payments, personal loans, school fees and groceries?

Did you know that Centrelink only pays a maximum disability pension of \$658.40 per fortnight for singles and \$496.30 (each) for couples? Would this be enough to cover your current lifestyle?

### **It won't happen to me!**

Just like most of us – Robert Innes thought he was indestructible, until the day his daughter was killed in an accident.

The self-employed accountant and father of two was prepared to take on almost everything that life dealt him. He had occupied senior accounting positions and as a tennis coach, was fit and has only taken few sick days in his working life.

"I was the kind of person everyone could rely on", Roberts says. "A person who simply loved life." That was until 2007, when his 14 year old daughter, Morgan was killed when a Sydney Ferries Harbour Cat collided with the pleasure cruiser she was on. To this day, Robert is still reliving the catastrophe that befell his family. "I may be asleep two nights out of seven. I've gone from being a very driven person to someone with no goals. The only thing that keeps me going is my son, Curtis and my wife Kim," Robert says.

Robert puts part of his survival down to a fellow tennis player and long-time friend who happened to be an insurance broker. For years he insisted Robert be fully insured...just in case.

"Without income protection, our family would probably have broken up – the pressures are just enormous," Robert says. "I don't think anyone understands the depression that happens when a child is killed. When people think about trauma and accident or sickness and disability, you don't comprehend you can be sick to the point where you can't work. The thought of ever getting sick was just beyond me and while you have insurance, you never really expect to use it."

Under his income protection insurance, Robert was entitled to 75 per cent of his income until age 65

### **Facts**

- **48,500 Australians suffer a heart attack in any one year**
- **1 in 3 men and 1 in 4 women will suffer from cancer in their lifetime**
- **43,000 people died from cancer in 2010**
- **1 in 6 men and 1 in 4 women will suffer a disability during their working life that results in taking more than six months off work.**

In the event of an illness or an accident where you are temporarily unable to work, income protection insurance may pay you up to 75 per cent of your income (up to the age of 65), enabling you to pay your mortgage, medical bills and other payments, helping you preserve your lifestyle.

Insurance is a crucial part of any financial plan — it's a financial safety net for you and your family when something unexpected happens. By working with your financial adviser



## Spread the Word

Getting a referral from someone you know makes looking for a Financial Adviser a lot easier. And you can be sure they're in great hands with someone you trust.

With recent global uncertainty and market volatility, we have been receiving a few referrals. If any of your friends and/or family need advice or are feeling a little unsure of their financial future, please feel free to refer them to Boutique. We are only too happy to help!



# Aged Care

you can tailor an insurance plan to your individual needs and circumstances so you can be protected for life.

We now have a Personal Risk Specialist at Boutique. Natalie Pegg, has extensive experience specializing in all types of personal risk insurance. Natalie will work together with you and your Adviser to ensure your level of insurance cover is appropriate for your circumstances.

(1) Complied using statistics and calculations from: a) National Motor Vehicle Theft Reduction Council – 12 months to March 2010 b) Insurance Statistics Australia June 2010 c) Data of individual disability income insurance sold by Australian life offices, Institute of Actuaries of Australia 2002. Report of the Disability Committee. IA Aust: Sydney.

(2) Centrelink website. Rates are a guide only and are effective from 20 September 2010.

(3) Source: Money Management - 2009

(4) Heart Foundation, Australian Facts 2008: Heart, Strokes and Vascular diseases.

(5) The Cancer Council Australia, www.cancer.org.au April 2009.

(6) National Health Survey: Injuries, Australia 2001 ABS Cat No. 43840.0 – Australian Bureau of Statistics, 2003 – Based on people aged between 35 and 65.

## Insurance Awareness

In the months of October and November we will be running two campaigns to draw attention to illness and disease that effect both men and women, either directly or indirectly.

**October** is internationally known as Breast Cancer month. Most Australians have been touched by breast cancer in one way or another. In fact, one in every nine Australian women will be diagnosed with breast cancer by the age of 85.



**November** is November, a moustache growing charity event held during the month of November to raise vital funds and awareness of men's health, specifically prostate cancer and depression in men.

As part of providing our clients with holistic advice we will be encouraging our clients to have regular health checks and also to ensure that their personal risk insurance policies remain appropriate for their current circumstances.



According to the Australian Bureau of Statistics (2007 Census) over 13% of Australians are aged over 65. About 17% of those Australians are in some form of formal aged care. Approx 37% of women and 24% of men who reach age 65 will enter into aged care during their lives.

The aged care system in Australia is a complex area based around the Commonwealth Government Aged Care Act of 1997 (and subsequent amendments). The Aged Care system involves the Department of Health and Aging and also Centrelink not to mention the many and varied Aged Care facility providers.

The cost of Aged Care is influenced by a number of factors including the level of ongoing care you require (assessed by the Aged Care Assessment Team – ACAT), your Age Pension status, your assessment under the Centrelink Income Test, your level of assets held, the Aged Care facility selected and any extra services provided by the facility... just to name a few.

Considering a move into an Aged Care facility can be a very difficult and potentially emotional time with many important issues to deal with including:

- Finding the most appropriate Aged Care facility which suits lifestyle and personal needs.
- Ensuring the person moving into Aged Care is as comfortable as possible with the move.

- Understanding what fees may be payable and what your options are.
- Ensuring sufficient cashflow to pay for the Aged Care facility and other needs.
- Deciding what to do with the family home.
- Working out the subsequent impact on Age Pension entitlements.

With medical and emotional issues often at the forefront, investigating and working out the best Aged Care options from a personal, lifestyle AND financial perspective does not always occur as it should. However it is important to be aware that most Aged Care fee arrangements are negotiable prior to commencement and it is therefore essential to fully understand what your options are before committing to any Aged Care facility agreement.

Boutique Wealth Management Group has a specialist Aged Care Adviser that can assist in providing advice to seniors and their families looking to enter Aged Care Accommodation. It is important that advice be obtained BEFORE entering into Aged Care wherever possible.

Brenda Soon has been an Adviser at BWMG for 4 years and is now specialising in the provision of Aged Care advice. Please contact her directly on **08 9381 8779** or via email [brenda.soon@boutiquewealth.com.au](mailto:brenda.soon@boutiquewealth.com.au).



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# BOUTIQUE

— *Finance* —

## LENDING REVIEW

Now is a great time to review your lending position if you have a home loan or investment home loan. The banks and lenders are currently in “competitive mode” and as such are offering some great incentives to win business over.

To give you an idea – interest rate discounts of up to 1.10% off the standard variable rate have been offered as well as switch fee rebates & waiving of certain fees.

It costs nothing to go through the review process and generally all we need is current loan balances, monthly payments and interest rates to complete the review.

We can then compile a report that will show a comparison of other lenders to see if it is worthwhile looking at refinancing to a better deal. We will show fees involved to give a true “bottom line” picture.

We can also incorporate other debts into the report such as car loans, personal loans and credit cards.

We do not charge any fees for our services and we can arrange loans at the same or better as what clients could get personally through a bank.

The types of loans we can assist with are:

✓ Home loans	✓ HP & Leasing loans
✓ Investment loans	✓ Commercial property finance
✓ Car loans	✓ Commercial general finance

We can even set up credit cards & open bank accounts with some lenders.

Please contact Shane Will at Boutique Finance to discuss how to proceed with a lending review or the establishment of a new loan.

[shane.will@boutiquewealth.com.au](mailto:shane.will@boutiquewealth.com.au)

**Tel: (08) 9381 8779**

## EMAIL & MOBILE PHONE DETAILS REQUIRED

In an effort to be more environmentally friendly, Boutique is making an effort to use email as our preferred means of communication and sms (text messaging) to send appointment reminders to your mobile phones.

Please ensure that you keep Boutique informed of your email addresses and mobile phone numbers.

Please forward updated contact details to us [mail@boutiquewealth.com.au](mailto:mail@boutiquewealth.com.au)

### GENERAL ADVICE WARNING

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## Turning Trash into Treasure

So you need a bit more space. The kids have flown the coop, your parents move into an aged care facility, or you've had enough of all the clutter.

Whatever the reason, spring-cleaning is good for the soul, and with a bit of clever planning can be good for the wallet too. Here are some tips on how to clear away old junk online and get a little extra cash in the meantime.

1. Know what sites to use - The most popular marketplaces in Australia are ebay and gumtree. While ebay is great for anything you are happy to send in the post, for larger items such as furniture, you may want to consider classifieds like gumtree. This means you can sell items to people in your local area, and they can come and pick it up directly from your house.

2. Do your research - Don't throw anything

away without first determining its value on an online auction site like ebay. You'll be surprised what things are worth to others, especially older items and collectibles.

3. A picture tells a thousand words - When selling things online, it's essential to include at least one high quality picture of the item, and in most cases, several pictures showing different angles. Pictures should be close-up, in sharp focus and appropriately lit.

4. Write a full description - Writing an accurate description will lead to more interest, a faster sale and avoid customer dissatisfaction. Include things like specifications, an honest account of the current condition, why you're selling it and how buyers can reach you.

5. Be Safe - Always be aware of internet scams and other dangers. Never give out your bank

or credit card details to anyone online, and if someone is coming around to your house, don't be home alone. Also beware of what information you make public – for example it's not a good idea to advertise when you're going on holidays, or are going to be away from home for an extended period of time.

6. Consider giving things away - If you really want to get rid of things in a hurry, consider recycling sites like freecycle. This will save you the hassle of transporting large items, and will ensure your old beloved things go to a good home.

You'll be surprised how easy it is to turn trash into treasure online. But it can be more time-consuming and addictive than you expect, so do your research and start-off slow while you get the hang of things.