

BOUTIQUE FINANCIAL PLANNING PTY LTD

HOLDER OF AUSTRALIAN FINANCIAL SERVICES LICENSE 247070

Oils ain't oils...

Market Watch – September Quarter

The Australian sharemarket (S&P/ASX 300) was a strong performer and finished the quarter up 5.3%, having reached a series of record closing highs. The market was buoyed by an excellent reported earnings season, driven by the strong domestic economy and export demand. The best performing sectors were information technology (+14.2%), utilities (+13.8%) and energy (+13.4%) while the worst performers were telecommunication services (-3.5%), financials ex-property trusts (+0.4%) and consumer discretionary (+0.4%).

Overseas equity markets generally moved lower during a quarter characterised by doubts about the strength of the global economic outlook and a persistently high and rising oil price which closed the period at over US\$50 a barrel. The global benchmark, the MSCI (excluding Australia) Index, was down 1.2% in US dollar terms over the period. The Australian dollar appreciated about 4.2% against the US dollar and this further reduced the quarterly returns for the global equity benchmark to -5.0% in the \$AUD terms.

US markets produced negative returns for the quarter. The technology-heavy NASDAQ Index fell strongly, finishing down 7.4%. The narrower Dow Jones 30 Industrial Index (down 3.4%) and the broader S&P 500 Index (down 2.3%) also finished in negative territory.

The major European equity markets predominantly continued the negative trend. The German DAX 30 Index (down 3.9%), the French CAC40 Index (down 2.5%) and the Eurotop 300 Index (down 1.1%) all finished down. However, the U.K. FTSE 100 Index broke the trend and rallied 2.4%.

Asian equity markets also broke the general negative trend and generated positive returns. The Singapore Straits



Index (up 8.0%) lead the way, with the Hang Seng Index (up 6.8%) and the Korean KOSPI Index (up 6.3%) not far behind. However Japan's Nikkei 225 Index went in the opposite direction, down 8.7% due to oil price and economy slowdown worries.

Market outlook

In a trend reminiscent to the start of this year, a great deal of the direction for local and global equity markets

in coming quarters is likely to be determined by the strength of the US economy and the direction of US bond yields. In this respect, US employment data and the trend in oil prices will continue to be the key. A rebound in US employment would be likely to underpin US business and consumer confidence, consumer spending and GDP growth. It would also leave the US Federal Reserve in a position to continue implementing a number of gradual tightenings of monetary policy back towards more 'neutral' levels in the coming year and would possibly see a reversal of the decline in yields that we have experienced over recent months. Similarly, the recent increase in oil prices to above \$50 per barrel have raised concerns over the outlook for global growth and will remain the focus of attention in the near term.

Closer to home the Australian economy is expected to experience firm growth despite further softening in the housing sector. Low levels of unemployment, high levels of consumer and business optimism and a rising terms of trade should combine with recent tax cuts to underpin growth in the coming quarters. The RBA will leave cash rates unchanged probably until 2005, but in any event, we believe this interest rate cycle is likely to remain a mild one by historical standards.

(Based on Deutsche Asset Management Quarterly Reports as at 30 September 2004)



Our major client briefing is again on for all of our full service Financial Planning clients. It will be held at the lovely Pagoda Hotel in South Perth on the 8th of December. Invitations will be sent out by Friday the 12th of November with RSVP's due the 30th of November.

We have an excellent line up of speakers headed by the well respected Brigette Leckie – Head of Investment Markets Research at Perpetual. Brigette was previously Chief Economist with BNP for 4 years and prior to that held a senior economic position with the now ABN AMRO Group. Brigette will give us an insight into the world economies and drivers in our current markets together with the outlook for 2005.

Once the information sessions are over we would like for you to join our staff for drinks and nibbles to help celebrate some XMAS cheer.

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Are you ready for Retirement ??

Do you enjoy a daily glass of wine ? Or a weekly night out at the theatre ? Figures released by the Australian Superannuation Funds Association about the costs of retirement may have you seriously reconsidering whether you'll be able to afford the lifestyle you want.

The research provides figures on how much you need to spend to have a comfortable standard of living in retirement. Released earlier this year, the ASFA Retirement Living Standard research states that while people know they need to save for retirement, most have little or no idea as to how much they need to put away to fund a comfortable one.

According to ASFA, a single person needs about \$420,000 (in today's dollars) for a comfortable retirement while a couple will need around \$477,000. However the average super payout at retirement is currently about \$70,000.

According to Philippa Smith, chief executive of ASFA, the research shows that while the comfortable lifestyle allows for more activities, better personal care and home maintenance, its still not extravagant.

For a comfortable lifestyle, the research shows that retired singles need to spend \$32,800 a year ((\$630.70 a week) and couples around \$43,350 a year (\$833.60 a week). This assumes the retirees own their own home. For a Modest lifestyle, a single retiree would need to spend \$16,930 a year (\$325.60 a week) while a couple would spend \$23,550 a year (\$452.90 a week)

The research also provides a list of what common activities cost in today's dollars. For example, if a couple has saved enough for modest retirement, they would only have \$5.13 to spend each week on alcohol (would have to get the Matthew Lang on special), and \$20.77 a week to spend on dining out . In contrast, the couple who has saved for a comfortable retirement would have \$19.74 to spend on alcohol (you can now upgrade to a Penfolds 128) and \$44.76 on dining out.

According to ASFA the average couple would need to save an extra \$90 per week over 30 years to go from a modest to comfortable retirement. Whereabouts are you ??

INSTITUTION	BASIC	INTRO RATE	INTRO TERM	VARIABLE	1 YR FIXED	2 YR FIXED	3 YR FIXED	FEES
ANZ	6.47	5.75V	12	7.07	6.70	6.70	6.95	\$600
BANKWEST	6.45	6.07F	12	7.07	6.65	6.65	6.85	\$700
CHALLENGE	6.49	5.99F	12	7.07	6.75	6.69	7.35	\$600
CBA	6.56	5.79V	12	7.07	6.69	6.79	6.99	\$450-600
CITIBANK	6.49	-	-	7.05	6.75	6.79	6.89	\$590
HOMESIDE LENDING	6.51	5.99F	12	6.77	6.70	6.75	7.00	\$300-\$600
ST GEORGE	-	-	-	6.99	-	-	-	\$906
VISION	6.49	5.89	12	7.07	6.69	6.95	7.24	\$599
BLUESTONE	ALTERNATIVE LENDING OPTIONS / LO DOC LOANS							
MACQUARIE								

Interest rates have stayed steady this last quarter with the only changes being an easing of some of the fixed term rates – mainly over the longer terms. The banks and institutions that we deal with (noted to the left) are very competitive and have some fantastic options open to those borrowing over \$200,000 or have a professional background. Contact Denice at our office for efficient and friendly service.

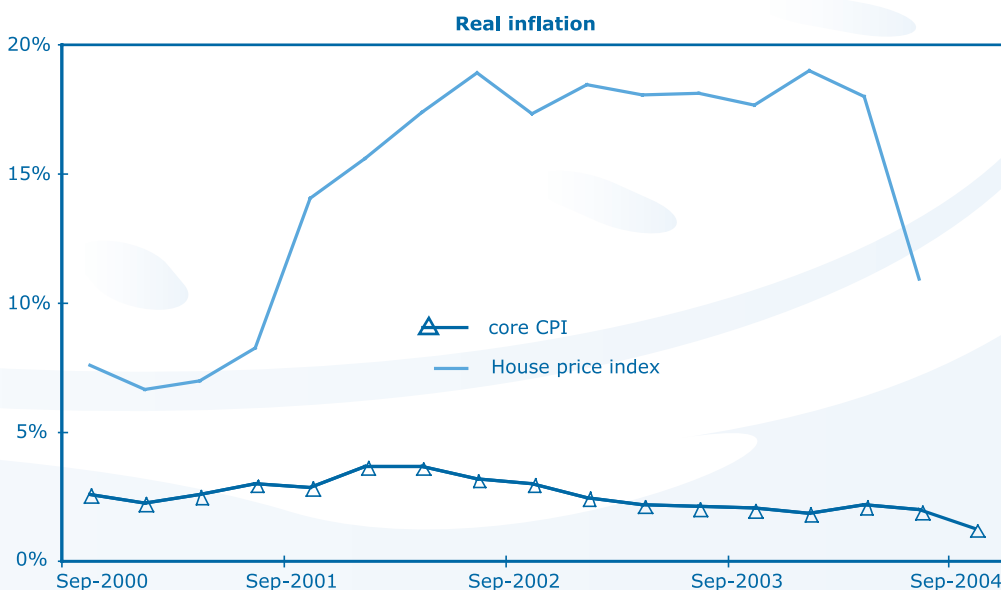
House Prices and Real Inflation

The odd thing about inflation is that not many economists in Australia know what it is. Non-economists know too well what it means. It means their dollar just doesn't stretch as far as it used to. Not too long ago, it was rare for a suburb in Perth to have million-dollar houses; now it's common. I remember last year overhearing a conversation about property prices where a twenty-something was trying to impress upon how great life was in Sydney, saying "you know really we're all millionaires now".

Inflation results in a breakdown of the price mechanism the key device necessary for a healthy capitalist system. For more than three years now, Australia wide average house prices have experienced double-digit annual growth rates; and in 2002 and 2003 the annual average increase was just under 20% per annum. When the price mechanism goes awry like that, it is a huge incentive which encourages 'everyone' to get into housing and related activities; that leads to an inefficient distribution of resources.

Non-economists have experienced inflation over the last few years when house prices rocketed away. It has distorted the economy and caused resource misallocation; that's classic inflation. With the housing frenzy continuing to wane the readjustment to that boom has deflated economic activity and dried up job growth.

Many economists overlook this and simplistically define inflation as changes in the CPI, the Consumer Price Index. However that index doesn't take into account the impact the housing frenzy has had upon companies and individuals in how they make economic choices. We have just been lucky that this time, the excess money and credit which caused the house price inflation did not spill over (too far) into ordinary consumer prices. That would have been an even greater headache for the Reserve Bank (RBA) than the one they currently have. With the big inflation story unwinding there is no need for any more rate rises for that would likely turn the soft landing into something harder. There is nothing untoward in the latest CPI report which would cause the RBA to hike rates again. The soon to be released information on credit data will let you know more about inflation in Australia. That should confirm the gradual unwinding of the credit induced inflation.



annual rates, source: ABS; note core CPI adj for GST into

"based on Ron Woods commentary - Challenger"



FPA

FINANCIAL PLANNING
ASSOCIATION
of Australia Limited
PRINCIPAL MEMBER

Boutique Business Synopsis

Boutique Financial Planning Pty Ltd was incorporated in 1992 and undertook a name change in March 2004 when it transitioned to the new Australian Financial Services License.

Boutique Financial Planning is a principal member of the Financial Planning Association (FPA) and abides by the ethics set down by the organization. Our Financial Planners all carry the Certified Financial Planner status (CFP), the highest designation given to its practitioners.

Boutique Financial Planning welcomes client referrals and undertakes to provide the same level of service and understanding that we provide our strategic planning clients.

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Facts and Figures

TAX RATES	
COMPANY TAX	30%
SUPERANUATION FUNDS	15%
EXCESSIVE NON-ARMS LENGTH INCOME AND PRIVATE COMPANY DIVIDENDS	47%
INSURANCE BONDS	30%
FRIENDLY SOCIETY BONDS	30%

AGE PENSION RATES AS AT 20 SEPTEMBER 2004		
	\$ PER ANNUM	\$ PER FORTNIGHT
SINGLE	\$12,238.20	\$470.70
COUPLE (EACH)	\$10,218.00	\$393.00
* Pharmaceutical Allowance of \$5.80 per fortnight (single) and \$2.90 per fortnight (each, couple) is also payable in addition to this rate.		

PERSONAL MARGINAL TAX RATES (RESIDENT) JULY 2004		
TAXABLE INCOME	MTR	TAX PAYABLE
UP TO \$6,000	Nil	Nil
\$6,001 - \$21,600	17%	\$2,652
\$21,601 - \$58,000	30%	\$13,572
\$58,001 - \$70,000	42%	\$18,612
Excess over \$70,001	47%	
Medicare Levy	1.5%	
Family Tax Assistance is not included in the tax free threshold.		

REBATES			
	MAX 2004/2005	LOWER THRESH-OLD	CUT OUT THRESH-OLD
LOW INCOME	\$235	\$21,600	\$27,475
PENSIONER / LOW INCOME AGED PERSONS			
- SINGLE	\$2,230	\$20,500	\$38,340
- COUPLE (EACH)	\$1,602	\$16,806	\$29,622
ILLNESS SEPARATED			
COUPLE	\$2,040	\$19,306	\$35,702
Combined income for low income aged persons Rebate must be less than \$59,244			

Christmas time again !

From the staff at Boutique Financial Planning we wish you and your family the safest of times during the festive period.



Like you, we have worked extremely hard during the year. I am sure they are looking forward to the Christmas break to not only celebrate with friends and family but importantly also to re-charge their batteries.

To acknowledge our staff and the great job they have done this year Boutique will be closed from midday on Thursday the 23rd of December until Monday the 10th of January. We do understand however that you may need some urgent attention during this period when the office is unattended. We will leave a message on our normal office line with contact numbers should something urgent come up over the Xmas break.