

# YOUR STRATEGY

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## MARKETS START RECOVERY PHASE

Welcome to the first edition of our "new look" newsletter—Your Strategy.

Over the last few years we have seen problems around the world causing turbulent times in our market both domestically and overseas.

The last 12 months have seen a dramatic improvement in the investment markets after almost 2 years of disappointing returns. The media has had a field day attacking the managed investments and in particular Superannuation funds as they have had some negative returns. What they forget to highlight is the performance of funds that have had 12-14% average growth over the previous 7 years and instead highlight funds which most planners would normally steer away from anyway. There is no doubt performances have been far from good up until February last year however there needs to be a balanced view which acknowledges market cycles.

For a majority of our "full service" clients the portfolio reviews over the next 12 months will show vastly improved returns. These improved returns are a direct result of knowing that irrespective of how far markets have fallen, a well balanced portfolio suited to our clients risk profile will inevitably recover and perform to the long term benchmarks.

The last quarter showed the continued recovery in most asset sectors as described briefly below.

### Australian Shares

March saw the tail end of the reporting season, new acts of terror and a cooling of offshore demand for equities. It also saw the share market temporarily achieve an all time record high. The S&P/ASX 300 Accumulation index rose 2.3% in the month to be up 23.8% over the past twelve months.



### Global Shares

March was a weak month for global shares. The Morgan Stanley Capital International World index (MSCI) fell 0.7% in USD but was up 0.4% in AUD. Most major markets fell although Japan bucked the trend, rising a solid 6.1%.

### Listed property

The S&P/ASX 200 Listed Property Accumulation index rose 3.5% in March, outperforming the broader equity market. The sector is up 13.9%

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# JAMES DOOGUE JOINS BOUTIQUE

Industry Stalwart James Doogue joined the ranks of Boutique Financial Planning late last year.

James has been instrumental in making the Financial Planning industry what it is today.

James has been a former Director of the Financial Planning Association (FPA), wrote the final unit of the Diploma of Financial Planning and also chaired the National Practitioners Committee and the Professional Standards Committee for a number of years.

James was also made only the 4th life member of the FPA.

James although only working part time due to long term health concerns is a welcomed addition to our team.



## FINANCIAL SERVICES LICENSE APPROVED

Boutique Financial Planning had its Australian Financial Services License (AFSL) approved by the Australian and Securities Commission (ASIC) in March this year.

The new licensing regime has been on the drawing board for 5 years as part of the financial Services reform of the Financial Services Sector. The licensing creates a more uniform platform for ASIC to regulate and will be most beneficial to the consumer with increased compliance and disclosure (although the trees may suffer).

To coincide with the new license we have changed our name from Boutique Planning Group to Boutique Financial Planning.



## ARE YOU GETTING THE BEST DEAL FROM THE BANK

Did you know that in the US over 70% of Mortgages are sourced through financial planners and Insurance providers. This trend is following in Australia with 30% of loans being sourced from area's other than direct with the banks.

The use of improved software technology now allows groups to simultaneously assess a range of banks lending products to find the one best suited to your needs.

Boutique has a well established Finance Broking arm operated by our own Denice Kilpatrick. Denice has 7 years experience in financial services and we have access to over 10 different banks and lenders with the added convenience of being located in the Subiaco office of Boutique.

This is just another way we can add value to our clients and keep it all under the one roof for ease of client management.



## NOT ENOUGH SUPER

An income and wealth report shows older Australians have inadequate superannuation balances. The report was prepared by AMP and the National Centre for Social & Economic Modeling. It says the average superannuation balance of people in the 50-69 years old group is only \$83,000. It suggests the retirement benefit should be about \$252,000,



so that retirees can lead a lifestyle that matches their expectations. Another report, from Rice Walker Actuaries, says policymakers are missing the key issues. The government wants Australians to work longer !

At Boutique Financial Planning we can help by working out what you will need to fund your retirement lifestyle and recommend how you will achieve it.

## TO TAX-EFFECT OR NOT TAX-EFFECT ?

Tax effective investments have justifiably come under scrutiny of recent times with the tax office bearing down on a number of schemes that were empty holes in the ground.

Unfortunately a number of legitimate projects also came under the same actions with many deductions having to be paid back to the taxation office.

With the introduction of the tax ruling system, projects are approved by the taxation office so that the investor can be sure the deduction will be allowed provided the conditions in the prospectus are met.

The taxation office does not comment on the merit of the project however to get a tax ruling it requires that the scheme be a legitimate investment.

For those clients looking for tax relief as well as diversification, agribusiness tax shelters are a good way to create a diverse asset sector in their portfolio's as well as gaining tax relief.

When we review funds for our clients the important test is whether the investment stands up as a good investment without the tax deduction.

We are currently reviewing a number of projects that have been granted tax rulings and expect to have completed our research well in time for the May/June planning period.

Boutique Financial Planners will be contacting our clients who we believe should consider any approved investment project in the agribusiness sector.



## THE COMING GENERATIONAL STORM

From time to time we get figures, statistics and in some cases some startling numbers in relation to how our governments are going to manage the ever increasing debt problems and payment of social security benefits.

A sure to be controversial book, hot off the press, called "The Coming Generational Storm" by Larry Kotlikoff and Scott Burns answers some of the questions that our baby boomers are asking as they crawl into old age. From the outset this book is based on the US and although not a direct comparison to our "better managed" economy, it gives an insight into some disturbing numbers.

"In 2030, as 77 million baby boomers hobble into old age, walkers will outnumber strollers; there will be twice as many retirees as there are today but only 18 percent more workers"

The book goes on to calculate the cost of all the future promises of Social Security and Medicaid (our Medicare) with the numbers running to around \$45 trillion. Without any reform that number grows to \$54 trillion by 2008. There are things that can be done about it so that the future generation is not left with the debt, firstly the government could simply raise payroll taxes by 69%, beginning today. Alternatively the government could cut Social Security and non Medicare outlays by 45% immediately and forever.

To solve the crisis today it would affect national sales by some 12%, that is a 12% reduction in funds available for consumer spending. And in an economy that is two-thirds powered by consumer spending means an almost guaranteed deep recession—almost the recession they have to have !

Those who are interested in more of this information can go to [www.frontlinethoughts.com.au](http://www.frontlinethoughts.com.au)

## IMPORTANT DATES TO REMEMBER

31/3/2004—End of FBT year

19/5/2004— Client Movie Night—GU Innaloo

2/6/2004—Boutique Investor Briefing— Venue TBA

30/6/2004—End of Financial year

14/5/2004— 2003 tax due (tax agents)

31/10/2004—2004 personal tax returns due (non tax agents)



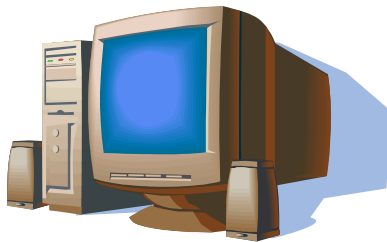
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We are on the web  
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Remember that should you want electronic access to your portfolios you need to apply for a login code through our client services.

You then go to the above web site and click on the "client area" icon. Scroll down to the Advisernet icon and you are away.

Also under our "client area" we have some tools including a budget planner and updated facts and figures for your reading.

*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 with the Australian and Securities Commission.*

*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 are also members of the FPA which is the body that governs the financial services industry.*

*Boutique Financial Planning welcomes client referrals and undertakes to provide the same level of service and understanding that we provide our Strategic Planning Clients.*

## GOVERNMENT SUPERANNUATION REBATES

The Government co-contribution is available from 1 July 2003 to certain taxpayers with employer superannuation support who make personal undeducted contributions to a complying fund or RSA.

Maximum Co-contribution	\$ 1,000
Lower income threshold <sup>1</sup>	\$27,500
Upper income threshold <sup>1</sup>	\$40,000

The formula to determine the Government Co-contribution - where the taxpayer's total income<sup>2</sup> is between the lower and upper threshold - is as follows:

$$\text{Equal}^3 \text{ to } \$1,000 - [0.08 \times (\text{Total income} - \$27,500)]$$

Note that the formula gives a maximum amount so that where the eligible contributions are less than \$1,000 the co-contribution is limited to the amount of eligible contributions. This is the case whether the total income is less than the lower income threshold or above it. Call our office for more detailed information.