



Market Wrap

Where to from here? That's the million dollar question now. Can we go any lower than the Australian market low on 6 March 2009? Has the storm cleared, or is this the eye?

Many questions are being asked as everyone feels the pinch of a slowing economy. The answers are yet to come as economists make predictions, actuaries play with the numbers and Governments throw money at anything looking like it may need help, or just start printing money to push cash into the local economies.

I heard a story recently that delivers some answers. A Mathematician, an Accountant and an Economist presented for a job interview. They were individually asked the question: "What does two plus two equal?". The Mathematician answered "Four, exactly Four". The accountant answered "Four, plus or minus two". The economist answered "What would you like it to equal?".

There are often many answers to the same question, and depending on the context the question itself provides the answer that you are most comfortable with. And with the current economic environment in mind, there is a plethora of theories of where we are headed.

The issues you can take optimism from are simple. Large companies locally remain profitable and still open their doors every day for business (Woolworths, Commonwealth Bank, BHP Billiton to name but a few). Where quality management abounds within these companies and resilient business plans continue to push profitability forward, even through tough times, investors will eventually be rewarded.

There are now numerous opportunities in market linked investments such as shares and property due to low interest rates and high income yields. The wealthiest people in the world have taken advantage of these times to borrow to invest where the borrowing costs are less than the income yields from the investments. As is sometimes said, the best time to invest is when the majority are fearful.

Such bold moves involve taking carefully calculated risks, but when investing for the longer term such strategies will eventually reap the rewards we are pursuing. Of course we all have boundaries, but start to think now about what investment strategies to take in order to help recover from the recent market lows, as by the time markets are moving confidently forward, this opportunity will be lost! As always please feel free to call and discuss your options with me. Knowledge is power and I am more than happy to spend time making sure you are confident in your investment strategy.

A Fine Recipe – I'm Hungry, How About You?

Just for something different, I thought this would be a pretty good idea!

I was caught out in January bragging about my wife's cooking, and have been requested by a certain client who would like to get a hold of the recipe. Well thanks to that haranguing I've decided to share the secret with everyone, along with a picture of the finished product. One for me, and another one for me!

Golden Syrup Pudding

2 Cups Self Raising Flour

½ Teaspoon Salt

½ Cup Sugar

1 Egg

2/3 Cup Milk

60 grams Butter

Golden Syrup

Mix the flour and butter. Add everything else.

Grease a pudding bowl. Drizzle syrup around the bowl and put some in the bottom of the bowl.

Add the mixture. Simmer for 2 hours.

When done, invert onto a serving plate. Pour custard over the top (*pictured*) and enjoy.



Economic Update

It is a pleasure to announce I will be running an economic update on 21 May 2009 at Noah's on the Beach in Newcastle from 7pm to 9pm. I have invited Conrad Burge (Investment Manager of Fiducian Portfolio Services Limited), Indy Singh (Managing Director of Fiducian Portfolio Services Limited) and Peter Wetherall (Managing Director of Wallara Asset

Management Pty Ltd) to update clients with their broad knowledge of local and global economic markets.

Peter Wetherall is a key manager for the Fiducian Australian Share Fund and will address our clients on the outlook for the Australian Share Market, highlighting strategies for investing in the economic environment.

This will be a strongly supported event and I encourage you to book early as seating is limited for the night.

In the next few weeks you will receive a formal invitation and Amy and I hope to see as many of you as possible gaining further education about investment markets and the investment processes Fiducian utilises.

End of Financial Year Tax Planning

Two things in life are certain – Death and Taxes. Let's make sure you don't pay more than your fair share to the tax man this year by taking simple actions.

A range of options are:

- Businesses and Self-Employed should check surplus funds to maximise deductible contributions to Super before 30 June.
- Pre-Payment of investment loans needs to take place before 30 June to lock in deductions in this financial year
- Spouse Contributions can be made to low income earning partners to claim a tax rebate. Alternatively, eligible people could also make an after tax contribution to Super to obtain the Govt Co-Contribution into their Super account.

It's always best to review these issues for suitability to your position each year. Talk to myself or your accountant about implementing one of these options in time to gain the most benefit.

How to Make a \$Million\$

I recently looked at how different age groups could possibly make the magical \$1 million outside of winning Lotto or picking up an inheritance and found that it's not as hard as it sounds, if you use the appropriate strategy and investments to generate a range of conservative returns. Here's how it can be done from scratch:

Age 16-24: Start with \$1000, save \$75 per week. Over 45 years averaging 10% per annum the result will be \$1.017 mil** (in today's dollar).

Age 25-34: Purchase a home for \$350,000 with a \$50,000 deposit. Over 25 years averaging 7.5% per annum the result will be \$1.014 mil** (in today's dollar and after repayment of debt).

Age 35-45: Based on a starting balance of \$50,000, Salary Sacrifice \$24,000 per annum to Superannuation. Over 25 years averaging 8% per annum the result will be \$1.047 mil** (in today's dollar).

Age 46-59: Invest \$250,000 in shares, geared at 50%. Over 10 years averaging 12% per annum the net result is

\$1.043 mil** (in today's dollar and after repayment of debt).

Age 60+: Invest \$500,000 over 10 years averaging 10% per annum and the result is approximately \$1.038 mil** (in today's dollar).

**Note: Excludes fees, taxes and interest repayments on debt (if applicable), 2.5% inflation.

There are a number of other issues that need to be taken into account along the way.

In your 20's, don't rely on Credit Cards. Always make sure there is about 3 months take home pay in savings for emergencies. Start saving early and use managed funds and shares to accelerate these savings. Margin Lending can also add value to your portfolio, but be sure to understand the risks involved with investment lending before you jump in with both feet.

In your 30's concentrate on paying off the mortgage as quickly as possible. Make sure insurances are in place to cover the unexpected. You don't think twice about insuring the house, contents and car – what about ensuring your greatest asset, yourself! Ensure Superannuation is placed in growth assets such as shares and property for longer term performance.

In your 40's, as children start their own lives, you are positioned for your peak time of creating future wealth. Salary Sacrifice to Super, gear into managed funds using equity in the home, and add 50% of pay rises to salary sacrifice to super and keep your Superannuation invested in a diversified range of growth assets to maximise the long-term benefits.

In your 60's and beyond avoiding investment risk could be the biggest mistake that you can make. Due to improved health and diagnostics we are living longer and your funds may need to last 20-30 years. So spread the risk and diversify into a number of asset classes. If you're still paying income tax, you probably shouldn't be, so double check how your investments are structured.

Final Say

Our next publication is scheduled for release in June/July 2009 (along with the Winter issue of Fiducian Focus).

Keep an eye out for it in the mail or on the website below.

Quote of the Quarter

Democracy is a process by which the people are free to choose the man who will get the blame (*Laurence J Peter*).

Wishing you all the best until next time,

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