



Quality Financial Advice Is What We Give

Fiducian Hunter News

Recovery Mode

Autumn 2011

We Are Resilient

The world has faced numerous natural disasters over the past few months. Locally the big story, of course, has been the weather, and the numerous disasters that have befallen our country. From the terrible floods to the extreme heat and the biggest cyclone this nation's ever seen, Mother Nature has thrown the lot at us in 2011, and tested our resolve like never before.



Flood waters rolling through Toowoomba QLD

Earthquakes in Christchurch and Japan followed with unforgettable and unbelievable scenes streaming through the visual media. The toll has been enormous. Lives lost, billions of dollars of damage to homes and property and businesses left reeling, but our resolve remains.



Iconic Christchurch Cathedral heavily damaged by the earthquake.

Everyday in the news we read tales of courage, of character, of kids giving up their two-bucks-a-week pocket money to try and make a difference, and it reminds us that despite the testing times we've got what it takes to make it through.

We've copped a belting, and for many there's still a ways to go, but it's warming to know we're still strong, and always

will be. We're resilient creatures us humans. We manage, we look up, we help out and we move on. For the most part we review and improve to be better prepared for the next time, for it is in our nature to be prepared, but also to cope with any unknown challenge that is thrown our way.

Market News

The global economy grew by around 5% last year and is forecast to maintain a growth rate well above its long-term average this year. This is despite the damage done to the Japanese economy from a severe earthquake and ensuing tidal wave. Increasingly, it has been strong growth in the developing world, particularly in Asia that is sustaining solid global expansion.

While there is reasonable growth forecast for the world's major advanced economies this year, growth did slow in the December quarter, with the Japanese and UK economies actually contracting. Japan is likely to experience further contraction in the first half of this year.

In contrast to the experience of most developed economies, parts of the developing world, notably China and India, have been faced with the need to slow down their economic growth. Inflation has reared its head in both countries and their central banks have been pulling on the reins by lifting interest rates and generally tightening monetary policy.

A counterpart of strong growth in the developing world has been strong growth in demand for commodities of all kinds and strong appreciation in commodity prices. Historically, however, supply of commodities has usually risen to meet demand, thereby tending to push commodity prices lower.

The Reserve Bank, for one though, is forecasting that commodity prices are likely to remain elevated for the next few years at least. The near-term outlook for the global economy remains broadly positive, although Japan could experience recession for some months at least. Commodity prices though are expected to remain relatively elevated for some time.

Interest Rates are always a talking point and there has not been any movement in 2011 so far. Westpac CEO Gail Kelly has been quoted saying rates will remain on hold until September, although mortgage rates may rise sooner. This view could be taken that the big banks are looking closely at the effects of recent competition and working on increasing profitability from lending. For borrowers this is a concern, for savers this is welcome. Only time will tell, although our view is that rates have been raised far enough to hold inflation at this stage and do not require further increases.

The domestic share market has struggled to gain ground over the past year or so, with the Japanese earthquake and its

aftershocks adding to the downward pressure on this asset sector. However, steadily rising earnings and elevated commodity prices have helped to improve the underlying value of the market. By mid-March, the price-to-earnings ratio for the market as a whole was looking attractive, as was a solid dividend yield that was above historical norms. Going forward, much will depend on the trajectory of commodity prices, given the market's heavy weighting these days to resources stocks.

What is comforting is the speed in which markets grew back following Japan indicating that the economic credentials of the major economies are strengthening. Further rises in consumer confidence will likely see markets pushing forward, however as we have witnessed, volatility in the short term is significant and amplified by adverse global events.

Tax Time is Approaching

Any dollar you can get back from the tax office is a good dollar. As we run into another financial year end, the accountants start to get excited about getting the most for their clients, and we at Fiducian are focussed on taking action before 30 June to ensure you obtain maximum benefits.

Some of the potential actions that can be taken include:

- Increasing Salary Sacrifice to Superannuation
- Making Personal Deductible Superannuation Contributions
- Making a Personal Non Deductible Superannuation Contribution for eligibility for the Government Co-Contribution
- Pre-Paying Investment Loan Interest for 2011/12 Financial Year

There are some hidden traps that you can fall into if you're not diligent. One of the rising issues in raising revenue through the ATO is Excess Superannuation Contributions Tax, with an increase of some 132% on the previous financial year.

Fiducian Superannuation Service will generally alert us to a person about to exceed their respective limit, but the risk remains, particularly for Self Managed Superannuation Funds and people making contributions from multiple employers and/or to multiple super funds.

If you are concerned then call us and we can investigate your position to make sure you're in the optimal position.

Winter Blues Turned Into Savings

Winter is on its way and with energy costs on the increase it is an opportune time to look at how you can reduce your bill. The key to making this work is what you do with the savings though. To get ahead, you need to invest what you can save to make it work harder for the future.

Think about banking the savings into your reserve funds or reducing non-deductible debt. Extra amounts into debt reduce the interest being compounded and effectively reduce the term. Everyone knows that savings add up when you stick with a plan, and every little bit counts towards that next goal.

What are the best methods then to reducing your power usage?

The most common are:

- Minimise areas that require heating by closing doors to unused rooms.
- Set heaters 2 degrees lower than normal but wear warmer clothes to compensate
- Run Dishwashers and Washing Machines when you go to bed so they are using Off-Peak rates of electricity
- Turn off appliances at the wall
- Fit a water saving shower head to reduce hot water consumption

There are further areas where savings can be made, but the installation of Solar Hot Water and Photovoltaic Panels come with purchase and installation costs. However, once over the initial hurdle, and even with reductions in tariffs, these can be a valuable investment both for you and the environment. Make sure you do your research on warranties, workmanship and servicing arrangements to ensure your investment remains viable for the long term.

Final Say

It seems an unprecedented amount of events have unfolded in such a short time to start off 2011, but as I discussed at the beginning of the Autumn edition, the resilience and strength of human nature is at times unbelievable. Investment markets are similar and although affected by global events quite regularly, tend to have the ability to gain strength when we least expect.

The importance of a strong investment strategy has never been higher, and the diligence of the Fiducian process maintains balance between risk and reward. Having your plan in place, reviewing and adjusting to your own life and events will remain the biggest priority to you, and we are here to help you achieve the objectives you have set out to meet.

As always, please feel free to contact us at any time to discuss your position. We're always happy to help.

Our next publication is scheduled for release in Winter (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

"Always do your best. What you plant now, you will harvest later" (*Og Mandino*)

Wishing you all the best until next time,

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Fiducian's Most Promising Financial Adviser of the Year 2009-10

Planning for your future takes Expertise. Planning your finances needs integrity and trust. Fortunately we have all three. Fiducian, we give you Quality Financial Advice.

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