

Welcome to our very first edition of 'Life Matters'!

For a while now we have been discussing ways of being able to communicate to all our clients on 'Hot Topics' surrounding everyday life and financial matters. What better way than a newsletter! In our very first issue of 'Life Matters' we will provide you with:

- an **Economic Update – the state of the current market**
- our 5 top **Tips for Successful Investing**
- **Australia's property Market** – an article written by Geoff Campbell of Geoff Campbell & Associates, Mortgage Brokers & Consultants
- **FP4Life in the Community**
- **Some wise words**
- **House keeping**



Picture: (left to right) Steve Legg, Jenny Elvankeyis & Chris McLean

Economic Update – The state of the current market

It seems that most financial markets in the world have started 2012 with considerable momentum with a sustained period of 'higher costs' evident in global markets, exchange rates, global oil prices and global share markets.

The rebound in sentiment has reflected four factors:

- 1. Market valuations were very low.**
In late 2011, price-earnings ratios reached one of their lowest levels since the mid-1980s in many international markets and this provided a potential springboard for prices if data was a bit better than expected.
- 2. US and Asian economic data has been consistently better-than-expected.**
While financial markets have been Europe-focused, the remainder of the global economy has been growing at a faster pace than in mid-2011. The US recovery has consolidated and Asia is in line for a soft landing with falling inflation enabling policy support, if required.
- 3. The Greek default has, to date, been orderly.**
Private investors appear willing to take a 70% hair cut on their Greek debt holdings in exchange for broader and longer lasting reforms including large Greek public service reductions, higher taxes and lower spending.
- 4. The European Central Bank appears to have contained contagion risk.**
From periphery economies in their government and bank funding markets, through its €0.5 trillion LTRO, where the European Central Bank lends funds to banks at 1% for three years. This has seen interbank funding spreads decrease for the first time in a year.

Tips for Successful Investing

Successful investors employ tried and true investment techniques and stick to their strategy in good and bad times. Here are our five top investment tips that have stood the test of time.

1. Diversify

Diversifying across a range of asset sectors, industries and securities reduces market risk and can improve your performance potential. Investment markets move up and down at different times. With a diversified portfolio of investments, returns from better performing investments can help offset those that underperform.

2. Invest often

Timing the markets for the best time to invest is easier said than done, which is why many investors use a dollar cost averaging strategy. With this strategy, you invest a set amount into a managed fund on a regular basis, regardless of the unit price, to average out market fluctuations over time. The great thing about this strategy is that you are always invested, so you don't miss out on potential performance by sitting on the sidelines waiting for the right time to invest.

3. Invest long term

People often get caught up with short-term stock selection, which can deliver inconsistent results. While one stock might deliver great returns one year, it is difficult to pick winning stocks every year. When it comes to investing, it generally pays to invest long term. While sharemarket returns can fluctuate widely over shorter periods of time they tend to be less volatile over longer time periods.

4. Costs matter

Costs can take a large chunk out of your investment return. So, it's important to compare fund fees before you invest. Not all managed funds charge these fees, so make sure you examine the fine print and know exactly what you are paying for and how much.

5. Less tax can mean higher returns

A fund manager's investment approach can make a big difference to the amount of tax you pay on your investment earnings and the amount of investment return you get to keep.

Turnover is one of the most important indicators of the tax efficiency of a managed fund. Turnover of a fund manager's assets reflects the level of trading activity within a fund and is usually much higher in active funds. Some fund managers can turnover their portfolios by 100 per cent or more in a year.

Australia's Property Market : Geoff Campbell, Mortgage Broker

Here's a round-up of the latest research on the Australian property market (sourced from SQM Research and Genworth's Home Grown Mortgage Industry Perspectives report)

- Australians remain better placed to cope with their debt levels than borrowers in many other countries. 45% of Australian borrowers are overpaying their mortgage, compared to an eight-country average of 26% (across Canada, India, Ireland, Italy, Mexico, the UK and the US).
- The typical borrower in 2012 is expected to be refinancers and up graders, with first homebuyers and investors remaining cautious.
- In the past year, WA has seen the largest growth in lending, then QLD, followed by VIC and NSW, with SA and TAS having seen a drop in home lending.
- Of the capital cities, Sydney stands out as a being on track for house price growth of between zero and 4 per cent by the end of 2012, factoring in no interest rate change.

The statistics show it's not all doom and gloom, with the health of the property market varying from suburb-to-suburb and state-to-state. As a mortgage broker I would be happy to speak with you in person about any lending issues you may be concerned about for the coming year. Feel free to contact Steve or Chris and they would be more than happy to pass on my details.

FP4Life in the Community

For the last 15 years, Steve has been volunteering with a group called Kiwanis.

Kiwanis is a hands on organisation helping children and young people who are disadvantaged. The worldwide service project for the next 4 years is raising funds for the elimination of maternal and neo-tetanus, which affects many third world countries. A simple immunisation at a cost of \$1 per child cuts the rate of infection drastically. The Kiwanis Club of Berwick, where Steve is President, has already donated over \$2,000 since August and is committed to raising over \$6,000 for the life of the project. Sausage sizzles are the most common fund raising activity.

“We need donations for this cause but also more volunteers in Melbourne to either join existing clubs or start new ones.” Steve said. He is also on the national growth committee which is tasked with opening 5 new clubs in Australia this year. Bairnsdale, Albury/Wodonga and Bendigo are the target areas for Victoria. If you know of any big hearted people (of any age above 18) who would be interested in volunteering, let Steve know.

Visit the Kiwanis website - www.kiwanisone.org.au, for more details including online donation.

Picture: Steve and his daughter Emma raising much needed funds at the 2011 Dandenong Show.

One baby dies every
9 minutes from an easily
preventable disease

Are you ready to help
ELIMINATE
Kiwanis eliminating maternal/neonatal tetanus
Kiwanis | unicef
www.theEliminateProject.org



Some wise words

“Individuals who cannot master their emotions are ill-suited to profit from the investment process.”

Benjamin Graham, father of value investing

“Far more money has been lost by investors preparing for corrections or trying to anticipate corrections than has been lost in the corrections themselves.”

Peter Lynch, legendary investor and author

“The market does not beat them. They beat themselves, because though they have brains they cannot sit tight.”

Jesse Livermore

“The social object of skilled investment should be to defeat the dark forces of time and ignorance which envelope our future.”

John Maynard Keynes, economist

“The function of economic forecasting is to make astrology look respectable.”

John Kenneth Galbraith, economist

“Be fearful when others are greedy. Be greedy when others are fearful.”

Warren Buffett, Chairman, Berkshire Hathaway

Housekeeping

Have you got an email address? Let us know. It's a fast, simple and environmentally friendly way of helping us keep in touch!

AGED CARE SEMINAR – Due to the over whelming response we had to the last Aged Care seminar we ran, we are now having another one on **Wednesday 28th March at 6pm**. Visit our website for more details or call Jenny on 03 8562 2633.

We hope that you have enjoyed reading our very first edition of “Life Matters”