

From The Great Wall to Super Traps – we have it covered!

Hi everyone and welcome back to 'Life Matters'.

First and foremost, THANK YOU for your comments about our first edition. It's always good to receive feedback so please feel free to keep the comments coming.

Later in the newsletter there is an article on the current state of the market, but I guess it doesn't hurt to mention a couple of things.

The turmoil in the world seems to be getting worse rather than better. Greece is again in the news for all the wrong reasons. In the US they are running up to their presidential elections, so they tend to sit on their hands about most issues, just when their country is crying out for a show of strong leadership. Europe too is a jittering jelly – Greece, Spain, Portugal – who else?

We are going to see this uncertainty for a while. What should you do? If you need to talk about things- call us.

We see that this has been happening for about the last 4 years. It is not going away and will be here for the rest of this year at least. Our first newsletter gave tips about investing, they still stand. At this point it is a case of ride the wave and wait this out. However, we can talk through the issues with you. Feel free to call Steve or Chris to have a chat.

"Nehao" - Steve and Chris had the opportunity in May to visit China

Now before anyone says "junket" – it was paid for by us!!

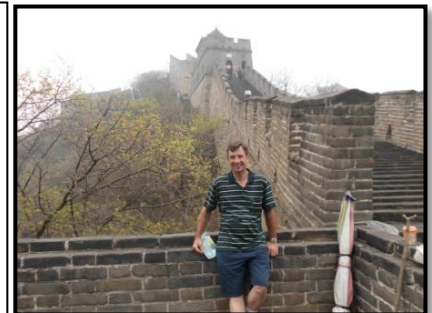
We spent 8 days in beautiful Beijing. The many tourist sites were seen – Tiananmen square, the Forbidden city, Summer Palace, Lama Temple, Confucius temple and of course the Great Wall.

As Chris had been before he was the tour guide - a fast pace was established and all sites seen – plus more.

The shopping meccas of Yashow and Silk Street were visited more than once and many bargains were obtained, plus many, many interesting bartering episodes. For those who understand this process in China, if they get angry with you, throw your change at you or hit you, you know you have done a good deal. We were hit, yelled at, thrown at and told "you bad man" many times – so we must have got many bargains.

A land of contradictions – old and new, traditions and modern life. We were impressed with all that we saw and especially the people that we met. The food was great and the language barrier not too bad.

While not on many people's list of places to visit, we certainly recommend it!



Economic Update – Europe, China, the US – the worry list for investors

AMP Capital's Head of Investment Strategy and Chief Economist, Dr Shane Oliver

This year seems to be following the pattern of the last two years with a solid start in share markets followed by weakness commencing around April/May. Europe again is a key driver with fears of an imminent Greek exit from the euro and worries about Spain.

Key differences compared to the last two years such as a stronger US economy, global monetary easing and cheaper share markets should hopefully help limit the downside in shares resulting in a better year end.

Europe

Quite clearly Europe remains at the head of the worry list, with increasing signs of a backlash against fiscal austerity, fears Greece is about to exit the euro and increasing concerns about Spanish banks.

China

A month ago, Chinese economic data was showing signs of bottoming, but this vanished with official data for April showing a further sharp slowing in industrial production, retail sales, fixed asset investment, imports, exports and bank lending.

The US

Until about a month ago, US economic data was universally surprising on the upside, but recently it has been a bit mixed with notably soft readings on employment. However, current indications are that the US is growing around 2 to 2.5%.

Some positives

- *Firstly*, business conditions indicators, notably the US Institute of Supply Management's (ISM) manufacturing index, have improved after last year's falls but haven't yet reached the cyclical highs they got to a year ago. In other words, having not increased that much, there is not as much downside. Currently they are at levels consistent with modest global growth.
- *Second*, the US economy is looking better in three key areas: the housing sector looks like it is bottoming; manufacturing is experiencing a renaissance and US oil production is surging thanks to shale oil.
- *Third*, the global economy hasn't been hit by the supply chain disruptions that arose from the Japanese earthquake in March last year. This time a year ago, the US economy was already slowing which was partly explained by this effect.

Concluding comments

Renewed uncertainty regarding the global growth outlook, particularly fears around a Greek exit from the euro and worries about Spanish banks, mean that further downside is possible for share markets over the next few months. However, key differences compared to the last two years, including a stronger US economy, global monetary easing and cheaper share markets, should hopefully help limit the downside resulting in a better year end.

To read the full article visit our website www.fp4life.com

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Super Trap – Beware!

The government announced in the Federal Budget that they would delay any increase in the contributions caps for concessional (employer and salary sacrifice) contributions to superannuation for the next year. We are not going to get into the reasoning behind this decision here as there is not enough space!

So, this means that anyone over the age of 50, making deductible contributions to super, needs to be aware that only a total of \$25,000 is allowed from 1st July 2012. For those under age 50 there is no change. The consequence of exceeding the cap is a tax penalty of 30% or a total of 45% on the excess. The excess is also added to the non-concessional contributions (capped at \$150,000) and may incur further taxation if that is exceeded.

So: *Employer Contributions + Salary Sacrifice Contributions = \$25,000 MAX*

Income year	Amount of cap	Amount of cap over 50
2013-14	\$25,000	\$25,000
2012-13	\$25,000	\$25,000
2011-12	\$25,000	\$50,000
2010-11	\$25,000	\$50,000

Those who are relying upon these contributions to fund a gearing arrangement inside super need to seek advice immediately to ensure loans are serviced from total income to the fund.

There are tax effective alternatives to superannuation for those in the higher income tax brackets.

Talk to us for more information.

Estate Planning

Estate Planning is a touchy subject as we don't really want to accept that we are mortal! Neither do we want to face that fact that many of us will be incapacitated for some time during our lives and unable to make certain decisions.

Powers of Attorney These are legal documents allowing a trusted person (or people) to make specific decisions on your behalf when the time occurs. But it is not all about illness.

If you were overseas and documents needed a signature, a **Financial Power of Attorney** would allow a trusted person to sign (with your agreement) on that document.

However, if there were decisions on accommodation or lifestyle then a **Power of Guardianship** would allow the trusted person to carry through on the decision.

Then there is the **Enduring (Medical) Power of Attorney** where decisions on the withholding of medical intervention can be made according to your wishes.

Superannuation If you have not already done so, review your super fund and nominate a Beneficiary (either Binding or Non Binding) to avoid delays and arguments later.

Those with a Self Managed Super Fund should talk to us as there are additional protocols to adhere to.

Wills Not much space here to give more information (we will cover this in our next newsletter) but suffice to say that if you own assets personally, then you need a will. There are a number of assets which are classified as non-willable assets, these include: *Companies; Superannuation; Trusts; Life Insurance*

We have long standing relationships with several law firms in which we trust, therefore think it is wise to seek professional advice on this matter. Feel free to give us a call to discuss further.