

your money your future

FINANCIAL PLANNING NEWSLETTER AUTUMN 2007

Once in a generation super changes are upon us!

Welcome to the first edition of the HPH Hotline for 2007.

Excitement is building amongst clients over the new super changes, particularly for those aged 55 and over. In view of the time sensitive opportunities before 30th June, HPH will be running a seminar at 5.30 pm on Wed 4th April, so please register your interest ASAP as seats are limited.

With the Tax Planning season fast approaching, we encourage clients to contact us to discuss effective strategies to reduce tax.

We would also like to welcome aboard Claudia Vieira, who has started working with us as a Strategy Planner.

2007 is a year of opportunities, so please contact our office if you would like help or further information on any of the above.

Cheers Rob, Adam and the HPH Team.

Making the most of your SMSF at tax time

Running a self-managed super fund (SMSF) is all about taking control of your retirement savings. It means you, as a fund trustee, are able to determine the fund's investment strategy as well as the timing of all transactions.

Contribution strategies and planning during the tax year can reduce your net tax burden. How? Through clever planning of your income and cash-flow needs.

Your financial adviser can assist you with additional productive strategies that can have significant tax benefits. For example:

- capital gains tax can be managed within the fund

- investments which produce franking credits may reduce the tax which would otherwise apply in the fund
- super splitting with your spouse
- specific tax advantages can be accessed by purchasing assets such as business real property, and
- clever retirement income options which save tax and boost your income.

The important thing to remember with any SMSF strategy is that the primary purpose is to boost retirement savings, not tax minimisation. See your financial adviser for advice on making the most of your SMSF at tax time.



HPH Hotline

HPH Solutions

Rob Pyne & Adam Smith

HPH Solutions

Level 1, 35 Outram Street

West Perth

WA 6005

Rob Pyne BSc. F.Fin CFP Retirement Planner

Adam Smith Dip FP CFP Risk Specialist

Authorised Representatives

Po Box 1798

West Perth

WA 6872

Phone: 08 9213 0444

Fax: 08 9226 4933

Email: rpyne@hphsolutions.com.au

Email: asmith@hphsolutions.com.au

Web: www.hphsolutions.com.au



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Australians take charge of their financial futures

The latest findings of the AXA Retirement Scope 2007 study show that interest in our financial futures is on the increase, with 34 per cent of working Australians now having a good idea of their projected retirement income. This percentage has almost doubled since the same time last year.

AXA Retirement Scope is an annual study of more than 11,000 people from 16 countries. Its primary aim is to understand retirement issues and measure expectations and experiences of retirement.

The 2007 study indicates a shift in attitudes among Australians towards understanding the importance of planning early for their retirement. However, there are still two thirds of working Australians who don't have a good idea of what their retirement income will be.

AXA Retirement Scope reveals that seven in ten working Australians have already started to prepare for their retirement. And are doing so at an average age of 31 years old, almost a decade earlier than their retired counterparts, who began at 41. This is a significant breakthrough, as just two years ago Australians who were preparing for retirement did not begin to do so until 36 years of age.

Australians need to be aware that the best way to guarantee the retirement they dream of is to take charge of their own future and seek quality financial advice.

Globally, Australians are equal first with Hong Kong residents when it comes to accepting individual responsibility for funding their retirement.

The research also shows a strong association between retirement income and quality of life. And while more than two thirds of working Australians believe the pension system will still exist when they turn 75, 87 per cent now think the individual should be primarily responsible for providing for retirement income.

According to the AXA Retirement study, working Australians are currently saving an average of \$652 per month towards their retirement, ranking them the second highest retirement savers in the world just behind workers in the United States.

It is clear that Australians are increasingly taking into account the 'big picture' and are looking for the best way to ensure all areas of their life are on the right track, including

health and finances. But this may not be enough as Australians are spending more than they are saving and accumulating more debt than ever before.

The study shows 67 per cent of working Australians anticipate their current standard of living will remain the same or even improve after retirement.

This is an alarming assumption for those Australians who have no financial plan for the future.

The Australian Bureau of Statistics projects that by the year 2050, life expectancy for Australian males will have risen to approximately 93 years of age and approximately 95 years of age for females. If today's working Australians retire at an average age of 62, as the AXA Retirement Scope study suggests, this leaves them with a very long retirement period to fund.

Research indicates that Australians are generally positive about their retirement, realising they're retiring from work, not life. And while Australian workers dream of an action-packed retirement filled with travel, hobbies and volunteer work, these retirement options may not be possible if Australians don't seek quality financial advice and actively plan for their future.

The AXA Retirement Scope study also found that Australians are becoming increasingly technologically advanced, and are logging on to keep in touch with the

world. Emailing, searching for information and banking are the main reasons Australians use the internet.

Almost 80 per cent of working Australians have internet access at home and use this for an average of one hour a day. Australian retirees are second only to their counterparts in the United States, when it comes to the amount of time spent online each week.

This increase in the use of technology could be a contributing factor to our growing awareness of retirement issues. It may also be helping us to be more responsible and active in planning our financial future.

The proposed changes to superannuation, announced in the 2006 Federal Budget, mean that super may become a more attractive investment option for many Australians. With superannuation income for people over 60 being tax free from 1 July 2007, it is an ideal time for people to start boosting their super contributions in anticipation of a tax-free retirement income stream.

So if you are planning on making the most of your retirement income and enjoying your life after work, make an appointment to visit your financial adviser sooner rather than later. This is an important time in your life to make the right choices, and who better to guide you than a qualified financial adviser who will help you make the most of your retirement.



Strong investment returns look set to continue

It's been a year of strong returns for investors in the 12 months to 30 September 2006.

The Australian sharemarket produced a return of 16 per cent (as measured by the S&P/ASX 300 Accumulation Index), while overseas shares returned 16.9 per cent (as measured by the MSCI World ex Aust Index) for the 12 months to 30 September 2006.

These returns are substantially above long-term averages, and reflect the ongoing strength of listed company profits.

Strong global economic growth

Strong company profits have been supported by strong global economic growth – not one of the top 50 world economies is in recession. This period of strong global growth is unusual, and it's the first time since 1969 we've had such concurrent economic growth around the world.

Investors frequently look to countries with strong economies as a way of identifying good investment opportunities.

But as we've seen in the past 12 months, this view may not be altogether correct.

Economies with the lowest growth rates – including Japan and Europe – produced some of the highest sharemarket returns for the 12 months to 30 September 2006. In contrast, the strong US economy produced one of the lower performances, albeit it was still positive.

Detailed research of individual companies is critical in this environment.

Australian economy underperforms

Australia's sharemarket received a significant boost from the rise in global commodity prices, which have driven strong profit growth in Australia's materials and resource sectors.

Investor perceptions are that the Australian economy is very strong and well placed to benefit from the boom in China.

But looking more closely, we can see that our economy, while strong, with a growth rate of 1.9 per cent for the year ending 30 June 2006, has underperformed the overall global growth rate of 5 per cent (IMF estimate July 2006).

Moreover, Australia currently has a 'two-speed' economy, with some states growing strongly and others bordering on sluggish.

While investors are often attracted by an annual growth rate in China of 9-10 per cent

and reliable income from a portion of their investment assets.

AXA's research indicates the Western Australian economy is growing faster than China's, at 14 per cent, while the Queensland economy is growing at around 7 per cent.

In contrast, the large economies of New South Wales and Victoria are struggling to grow much faster than 1 per cent.

In this environment, some property investments have produced strong returns, (eg residential property in WA, while bond portfolios have produced low returns).

Interest rates rise globally

Interest rates have been on the rise globally. Over the past 12 months all major economies have raised rates, with rates in the US increasing to 5.25 per cent. Rates in Australia continue to rise, bringing the cash rate to over 6 per cent.

The world's major sharemarkets are beginning to respond to the prospect that rate increases are near the end of the upward adjustment, particularly in the US.

Contrary to common perception, high rates do not necessarily spell an end to good sharemarket returns. In fact, in the past two periods of interest rate tightening in the US – from 1983-84 and from 1994-95 – markets rose strongly after these rate increases. High cash rates are beneficial to investors, such as retirees who seek regular

and reliable income from a portion of their investment assets.

Outlook for 2007

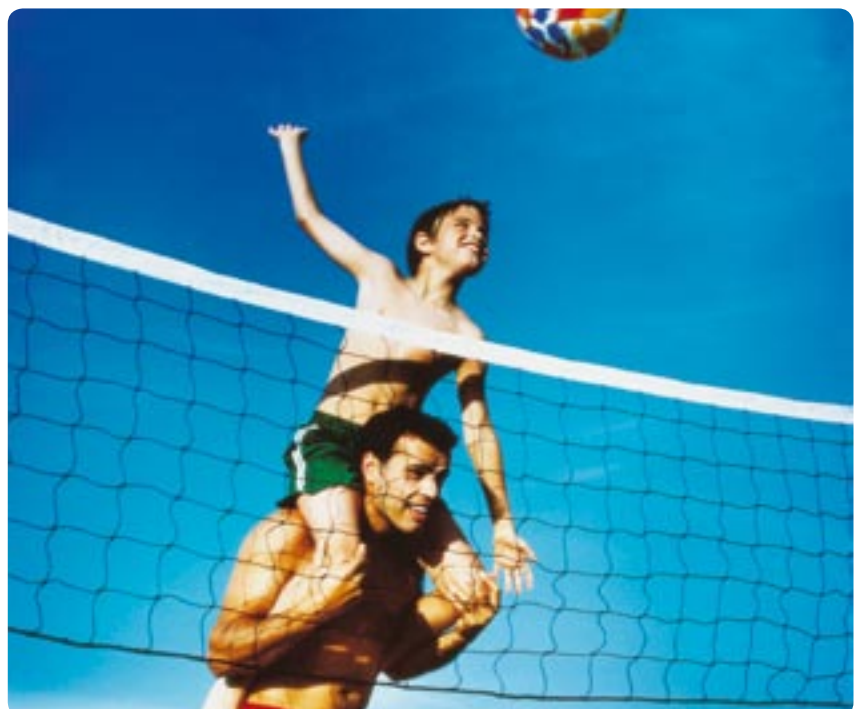
The outlook for next year remains positive. Strong economic growth will continue to support company profits.

While the return outlook still looks good, it is anticipated that some change is afoot. The unusually low levels of volatility (peaks and troughs) we have experienced over recent years may well be over. Interest rates may rise a little further, and inflation will remain a concern.

Low volatility has partly masked the potential risk in some investment funds, which may cause problems if the environment becomes more challenging and volatile.

Good quality 'growth' stocks (with potential for continued growth) are now comparatively cheaply priced. This creates an opportunity to complement a strong 'value' portfolio (based on stocks that the market has underpriced) with a quality 'growth' portfolio.

Now is a great time to review your existing investment strategy with your financial adviser, who can help you decide on the best portfolio options to suit your personal needs and circumstances.



Covering cancer

Cancer can be a devastating illness. Not just for the person who suffers from it, but also for their family, friends, and even their workplace.

Truthfully, when cancer strikes, money is usually the last thing on anyone's mind. But when the dust settles, the financial stress caused by it can magnify and create many new problems.

Men and cancer

For Australian men, the most commonly diagnosed cancer is prostate cancer. This accounts for 23 per cent of all cancers suffered by men and, in 2001, there were 11,191 new cases of prostate cancer diagnosed.

Facts show that melanoma of the skin makes up around 11 per cent of all cancers found in Australian men. Other kinds of major cancer include colorectal and lung. The four types of cancer mentioned account for 60 per cent of all registered cancers for Australian men.¹

For Australian men, it is important to realise there are many types and variations of cancer. Still, understanding some of the more common types may assist to modify individual behaviour and reduce the likelihood of contracting cancer. Your doctor will be able to provide more information.

A helping hand when you need it most

The financial cost of cancer can be distressing – time off work, travel to and from hospital and rehabilitation expenses.

And, while there is not a great deal that can be done to prevent the initial emotional and physical shock of cancer, having good quality insurance cover can ensure you and your family are financially secure.

Safeguarding your financial future against cancer can be achieved by purchasing a Trauma Recovery Insurance Plan. Trauma Recovery insurance sits among the suite of insurance solutions, including life insurance, income insurance, total and permanent

disability (TPD) insurance, and business expenses insurance. Each is designed to mitigate certain happenings:

- Life insurance, typically, pays a lump sum upon a person passing away.
- Income insurance, in the event of you being unable to work due to sickness or injury, will provide a regular income stream to assist in paying your general livelihood expenses.
- If you were to be totally and permanently disabled, TPD insurance will help with recovery and rehabilitation costs. For example, it may enable you to refit your home or allow a family member to reduce their work hours to care for you or to pay for a professional carer.
- Business expense insurance will assist with business fixed costs, such as rent, rates, electricity, water and gas bills. It

will also provide funds to pay employees' salaries (although not for a replacement of the insured salary).

Distinct from all of these, Trauma Recovery Insurance provides a lump sum if you suffer from one of a comprehensive list of traumatic events, such as cancer, heart attack or major head injury. And, thanks to new comprehensive cancer options in many Trauma Recovery insurance products, it is possible to purchase a specific option to cover you for a range of pre and early cancerous conditions, in addition to the coverage already available under a trauma recovery plan or option.

For more information on how you can safeguard your financial future against the risk of cancer, speak to your financial adviser.

¹ Cancer in Australia (Australian Institute of Health & Welfare), 2001

Brendan's cancer shock

Brendan aged 35, recently married his girlfriend of six years.

Two months ago Brendan's wife noticed a new mole on his right shoulder and suggested that he should get it checked by his doctor. After all, both had heard how high the rate of skin cancers was for Australian men and women.²

Brendan's doctor assessed the mole and confirmed that its appearance was consistent with melanoma. He explained that he would need to perform a biopsy and have it tested.

The result of the biopsy was that it tested positive for a malignant melanoma that required a small operation to remove the affected area. Brendan's doctor also referred him to a cancer specialist who performed some additional screening tests to make sure the cancer had not spread elsewhere in his body.

In the future, Brendan will need increased monitoring and regular check-ups with his doctor every six months for the first two years. The good news was that he will more than likely make a complete recovery.

Fortunately, upon getting married, both Brendan and his wife had discussed their future with a financial adviser. After this discussion, their adviser recommended Brendan purchase a trauma recovery plan of \$200,000, along with the comprehensive cancer option.

This meant that when he was being diagnosed with the very early stages of melanoma, Brendan received a lump sum partial payment of \$20,000 (ie 10 per cent of his trauma recovery benefit). The insurance payment meant he didn't have to worry about taking time off work or paying for out-of-pocket recovery expenses.

² Melanoma is more common in Australia than any other country. Fact Sheet (Australian Cancer Research Foundation) www.acrf.com.au