

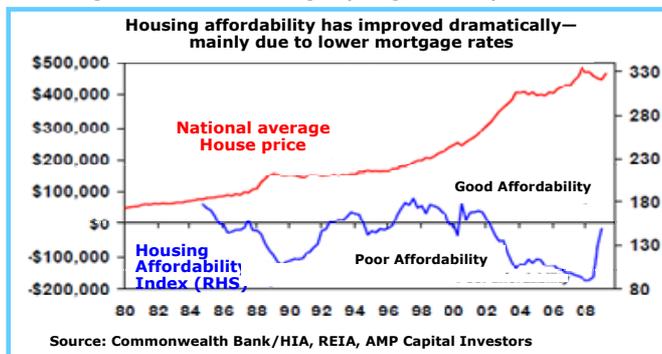
Update

"Giving you the confidence through a living financial plan to achieve the life you want."

from the offices of Cameron Darnley, Gray Foreman & Robert Latimer
 Building 2, 303 Burwood Hwy, Burwood East, 3151 & 147 Upper Heidelberg Rd, Ivanhoe, 3079
 Authorised Representatives and financial planners with Hillross Financial (ABN 77 003 323 055), AFS Licence No. 232705
 Ph (03) 9814 9333, PO Box 4203, Burwood East, 3151, be.admin@hillross.com.au

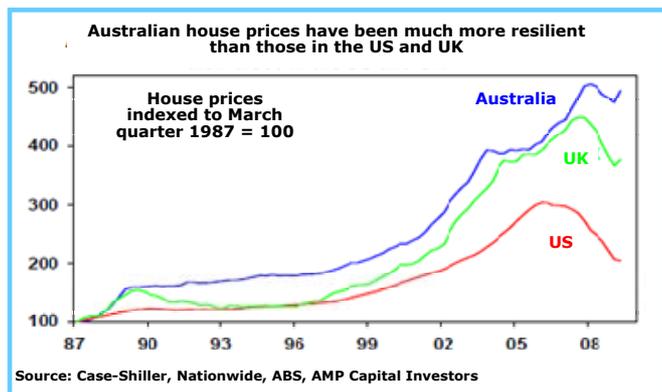
Home price trends

After falling 6% from their peak, average capital city house prices seem to be on the way back up again in Australia. But while the slump in mortgage rates has drowned out the impact of rising unemployment, effectively heading off the housing correction, Australian housing still remains very expensive. It's therefore hard to see the housing bubble starting up again any time soon.



Why the resilience?

Despite Australian house prices having had a stronger run up than those in the US and UK, they have fared remarkably well by comparison over the last couple of years. From their peaks US house prices have fallen 32% and UK house prices have fallen 19%. By comparison, Australian house prices have only had a modest dip and seem to be already on the way back up. Several considerations explain the relative resilience of the Australian housing market. These include Australia's housing shortage as well as the fact lending standards were far higher in Australia than in the US with the surge in debt focused on older wealthier Australians and the use of full recourse loans which provide a powerful incentive to keep servicing a mortgage even when the value of the debt exceeds the home value.



Source: Oliver's Insights, 6 Aug 2009



More Change

Just when you thought it was safe to open the letterbox, another raft of **Centrelink** change descends; some good, some not-so-good. Here's a list of the key changes. If you'd like to know more, either for yourself or a friend, feel free to call the office:

From 20 September 2009:

- \$60/f increase in Single Age Pension basic rate.
- New pension supplement and seniors supplement to consolidate other allowances and replace the Comm. Seniors Health Card.
- Changes to the indexation and bench-marking of pensions to the higher of CPI or the newly created Pensioner and Beneficiary Living Cost Index (PBLCI).
- Increase the income test taper rate from 40 cents per dollar to 50 cents per dollar.
- New work bonus, with 50% of certain salaried income exempt from the Income Test.
- Transitional arrangements to ensure existing pensioners are no worse off under the new rules.
- Closure of the Pension Bonus Scheme to new members from 20 September 2009.

Are Shares Expensive?

One way of valuing a company is to compare the level of its share price to the level of profits it reports to the tax office. This relates to profits produced in Australia and is termed operating profit, ignoring changes in asset values and offshore sourced earnings.

As the chart shows, over time the Australian share market moves roughly in line with this measure of operating profits. Right now though shares are well below the level suggested by company profits.

While the share market rightly anticipated the slump in profits, the 55% top to bottom fall in the share market has been disproportionately large compared to the 15% fall in this measure of profits. Even after the rebound in the share market since March, profits would need to fall another 30% to justify shares at current levels. With signs the economy is stabilising and the outlook for profits improving, this seems unlikely.



Source: Oliver's Insights, 1 Sept 2009

Wisdom

"The world is all gates, all opportunities, strings of tension waiting to be struck."

Ralph Waldo Emerson

"All the statistics in the world can't measure the warmth of a smile."

Chris Hart

"Only those who will risk going too far can possibly find out how far one can go."

T S Eliot

"A pessimist sees the difficulty in every opportunity; an optimist sees the opportunity in every difficulty."

Winston Churchill

"You know, there's a lot of talk in this country about the federal deficit. But I think we should talk more about our empathy deficit - the ability to put ourselves in someone else's shoes; to see the world through the eyes of those who are different from us - the child who's hungry, the steelworker who's been laid-off, the family who lost the entire life they built together when the storm came to town. When you think like this -- when you choose to broaden your ambit of concern and empathize with the plight of others, whether they are close friends or distant strangers -- it becomes harder not to act; harder not to help."

Barak Obama

LIFE STAGE REVIEW
"Starting Out"

For Michael and Bec, the **"Starting Out Stage"** is a time of leaving home, earning a salary, learning to save, travelling, managing a budget and entertaining – it's an age of few responsibilities and unlimited potential. Their **Key Objectives** and **Financial Plan** are summarised below:

1/. Key "Starting Out" Objectives

Michael and Bec's key objectives are:

- Save a deposit to buy a unit/home
- Pay off a car
- Keep expenses under control
- Protect income & lifestyle in the event of sickness or accident
- Make correct work-super investment choices.



2/. Financial Plans

Michael and Bec's financial plans seek to both protect their current lifestyle, while making the most of the cashflow surplus they currently enjoy. Their strategy is to address the following areas:

Protecting — take out appropriate **health and income insurance** to cover medical costs and replace salary in the event of severe sickness or accident. Particularly after work sick-pay runs out. Plus **car insurance** too. Ensure wills and powers of attorney are also in place.

Saving — open a separate **high interest savings account** into which a serious amount of salary (eg 50%+) will be automatically saved each month. In effect, saving **FIRST** and spending **SECOND**. Also, consider saving a small amount each month, on a "dollar-cost-averaging-basis" into a medium term (5-10 years) **share-based managed fund**.

Managing — choose the **High Growth**, (long term) investment option within work super and consider **salary sacrificing 5%** of income into super.

As they say, people don't plan to fail, they just fail to plan. It's never too early to start planning so why not call now to arrange a free **Initial Discussion** for you, or someone you know who is just **Starting Out**.

Cutest Baby Award

As if you didn't know, that's Gray on the left and little baby Gabriella on the right.



Latest reports are that after reaching the 6 month milestone, mummy's milk is still much preferred over this solid food stuff.

Big Day — 24/10/09

Congratulations to Cameron and Kirsty who will celebrate their marriage on Saturday 24 October. Not long to go now. Stay tuned for a wedding shot in the next edition of Update.



Pensioner and Beneficiary Living Cost Index (PBLCI)

What the ...?! So it's official. Pensioners and retirees have different spending patterns than the general public. That's the general public whose daily spending makes up the run-of-the-mill measure of inflation, the Consumer Price Index, or CPI.

This new CPI, or "PBLCI" will take into account the basket of goods pensioners buy and will be used to help maintain pensioners' purchasing power in such things as calculating changes in Age Pensions. For example, did you know, age pensioner households are estimated to spend 21.1 per cent of their household budgets on food, compared with 15.4 per cent for other households. And no doubt there would be similar differences in areas of health, mortgage costs, transport and children's education. So next time you're having a chat with your friends, ask them what they think of the new PBLCI.



Home safe and sound

The photos kind of say it all. But for more photos and information on Robert's long service leave sailing journey to assist with remote-access medical transport in Vanuatu visit:

www.msm.org.au

In summary, over 3 months, the Vanuatu Prevention of Blindness Project ran 48 clinics, on 18 separate islands, seeing 4,221 patients and dispensing over 2,500 pairs of glasses. In addition, over 200 people were referred on for surgery, including cataracts.

An information evening will be conducted some time in October, so if you'd like to know more just call the office for details.



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