

Forsythes Financial Planning Money Matters

“Buy when everyone else is selling and hold until everyone else is buying. That’s not just a catchy slogan. It’s the very essence of successful investing.”
~ Jean Paul Getty ~

WELCOME TO THE FORSYTHES FINANCIAL PLANNING - MONEY MATTERS - AUTUMN EDITION 2009

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John O'Connor - Partner

Recent investment performance has been very poor, and we’ve had many conversations in the past few months with clients who are understandably worried about what lies ahead. We hope we have been able to demonstrate to these clients that the combination of conservative asset allocation and strong cash reserves implemented by their Forsythes team has put them in a secure position given the economic back drop.

We can expect the economic headlines to remain bleak for some time – even if markets do start to stabilise. This crisis was led by financial markets falling, and now the real economy is feeling the brunt. But remember: share markets fell because investors expected the real economy to decline. So plenty of bad news is already reflected in today’s prices, which are lower than average. The question now is whether or not the economic slowdown is worse than expected, and no one knows that for sure.

Exiting the markets in this situation may well be riskier than the frustrating business of staying put and sticking to long-term strategies. As they say, a buy and a hold approach (as opposed to timing in and out of the markets) is the worst investment strategy there is – except for all the others. We expect long-term investors who hold their nerve eventually to be rewarded.

On a more positive note, the current crisis has seen an unprecedented response from governments around the world. Eager to avoid the mistakes of the past, particularly the 1930s and 1970s, economic policies have been introduced to restore confidence and spending and stabilise markets.

In Australia these measures have included huge injections of cash to buoy the retail sector and save and create jobs. It will take time for these measures to work – you don’t spend \$42 billion overnight – and there is a long way to go before business and investor confidence is restored. But it’s a start.

The outlook for 2009 is for continued slowing in economic growth, and rising unemployment in most economies, with major industrialised countries pushed into recession.

Beyond 2009, a long-range view is for signs of recovery in the global economy to emerge in 2010 under the influence of the massive stimulus described above. Investor confidence should begin to re-emerge and investors, who are currently showing a preference for bonds and cash over shares, will return to equity markets. Volatility will eventually subside. More resilient financial companies and banks will survive the current crisis and emerge stronger than before.

To keep our clients abreast of the latest economic developments and provide an insight into our views on the medium term economic prospects, we will be holding a client briefing at the Newcastle Club on April 29 - see page 4 for further details. Mr Ross Whitelaw of Whitelaw McDonald Solicitors will also be speaking on estate planning. I encourage all clients to consider attending and invite you to bring along any friends or family who might find the session useful.

Finally, we are very pleased to welcome the clients of Maher Ebrill & McLean to Forsythes. The merger of our two businesses will further enhance the depth of experience of our Accounting and Financial Planning teams.

Telephone 02 4926 2699 - Email finplan@forsythes.com.au - Website www.forsythes.com.au



Forsythes
Financial Planning



Government Legislates 50% Pension Relief for 2008/2009

In February 2009, the Government proposed a 50% reduction in the minimum payment amounts for the 2008/2009 year and this legislation has now been passed.

This is a welcome relief for those in receipt of a pension. Many retirees were concerned they would have to sell assets, and realise losses in a depressed market, in order to meet their minimum pension which was based on portfolio valuations at 30 June 2008.

The relief applies to all account based pensions, allocated pensions and market linked pensions (including transitional pensions). Normal minimum pension requirements are still applicable for all complying pensions.

What this means for you will depend on your own personal requirements. If you are in receipt of a pension, you may elect to reduce your minimum pension for the year by 50%. For example, if your original minimum pension for the 2008/2009 year was \$60,000, your "new" minimum pension will be \$30,000.

If you have already drawn at least the reduced amount, you may elect to cease drawing further pension amounts for the remainder of this financial year.

Please contact your Financial Adviser if you wish to discuss further. Alternatively, members of Self Managed Super Funds can contact Rob Allan on 4926 2699 for further information.



Federal Government's Economic Stimulus Package

In February 2009 the Federal Government announced an Economic Stimulus Package which includes lump sum cash payments to low and middle income Australian families. Some people will be eligible for more than one type of payment. None of the payments will be taxable or be assessed as income for Centrelink benefits.

Tax Bonus for Working Australians

Up to \$900 will be paid to Australian residents who paid tax in the 2007-08 tax year and who had income within the following bands:

- ~ Taxable income up to \$80,000 - Bonus \$900
- ~ Taxable income \$80,000 to \$90,000 - Bonus \$600
- ~ Taxable income \$90,000 to \$100,000 - Bonus \$250

There is no requirement that the taxpayer was employed, except for those under age 18. The Tax Bonus for Working Australians is also potentially available to pensioners, retirees, investors and students.

Payments are expected to be made commencing in April 2009. Taxpayers must lodge their tax return for 2007-08 by 30 June 2009 to be eligible.

Back to School Bonus

\$950 per school age child (age 4 - 18 years) will be paid to families who are eligible for Family Tax Benefit Part A (FTB-A).

This bonus is in addition to the Education Tax Refund announced in the 2008 Budget. The Education Tax Refund provides a capped refund of up to 50% of eligible expenses per school child.

Single-Income Family Bonus

\$900 will be paid to families who are eligible for Family Tax Benefit Part B (FTB-B).

Payment of both FTB related Bonuses is expected in the fortnight commencing 11 March 2009 for those who receive FTB in fortnightly instalments.

Farmer's Hardship Bonus and Training & Learning Bonus

\$950 is available to farmers receiving specified income support payments. A Training and Learning Bonus of \$950 is available to students receiving specified Centrelink benefits, or to those commencing approved education courses who have been receiving specified Centrelink benefits.

ATO warns of tax bonus payment scams

The ATO has issued a warning to be cautious about bogus phone calls and other scams relating to the Government's tax bonus payments.

The Tax Office has had reports of people receiving phone calls about the tax bonus payment, claiming to be from the Tax Office or some other government authority, seeking bank account details, tax file numbers and other personal information.

Tax Commissioner Michael D'Ascenzo said "Under no circumstances should you give personal information including credit card or banking details to these callers or respond to unsolicited emails. If you are concerned, call the ATO on 1300 686 636".

In most cases people who are eligible do not need to do anything to receive the tax bonus. The payment will be deposited into the bank account you nominated in your 2007-08 tax return or sent as a cheque to the address on that return.

Further information – speak to us and also see the following websites: www.ato.gov.au for information about the Tax Bonus for Working Australians and Education Tax Refund and see www.centrelink.gov.au for information about the other payments.

Surviving Retrenchment

Paul Clitheroe is a founding director of financial planning firm ipac, Chairman of the Federal Government's Financial Literacy Foundation and chief commentator for Money Magazine.



With the business sector starting to look like a war zone, job security is no longer a sure thing and none of us are safe from the dreaded tap on the shoulder.

Being retrenched can be one of life's most traumatic events, but charting a clear course is more effective than hitting the panic button.

Most laid-off workers receive a redundancy payout comprised largely of unused annual leave plus severance pay - measured as a number of weeks' wages. The golden rule with any such payment is to think first and spend later - there's no knowing how long the money will need to last.

At this stage, every penny counts so park the money in a cash management account or online savings account, where it can earn between 3% and 5%. This will also provide valuable breathing space to decide how to use the cash while considering job options.

Be careful about using large chunks of a payout to reduce debts like your home loan. I'm all for paying off debt but unless you have a new job lined up you need to remain as financially flexible as possible. That said, if you can get rid of a high interest credit card debt then you should. Once you get a job you may want to pump any money left over from your pay out into your home loan.

With a clear idea of how much you have in savings, you can plan your finances to see you through to re-employment. A budget is an essential tool here. Be prepared to slash any non-essential spending - it may not be easy but if you don't do it now, you could be forced to significantly tighten your belt further down the track.

Get in touch with Centrelink to register for benefits as soon as possible. If you are under 21 you may be eligible for Youth Allowance.

Those of us too young for the Age Pension can register for Newstart Allowance, though this is subject to both an income and assets test. The current rate is around \$449 per fortnight for a single person with no kids.

Be aware that Centrelink may delay the date at which you start receiving benefits depending on your circumstances.

With these steps taken care of you're likely to know how much you have to live on until you find work. Obviously, one of the biggest headaches facing many retrenched workers will be keeping up the monthly mortgage repayments.

If you're ahead with your home loan you may be able to claw back some of the funds through a redraw facility. Where that's not the case, and meeting the repayments is likely to be a struggle, speak to your bank to renegotiate the loan.

Home lenders will often try to work out a solution, and under the Uniform Consumer Credit Code you should be able to request a delay or restructuring of repayments, or an extension of the loan term. Your bank may also let you switch over to interest-only repayments.

All these options are likely to involve fees and charges as well as dragging your mortgage out a bit longer, but if you're in financial survival mode, that's likely to be a secondary concern to losing your home.

Tips

- Avoid making hasty decisions about how you'll use a redundancy payment.
- Parking your payout in a cash management account or online saver lets you earn interest of around 4% to 5% while providing valuable breathing space.
- Be careful about using a large chunk of the payout to reduce debt. This could leave you strapped for cash if you don't land another job quickly.
- Take stock of your overall savings and draft up a budget to see you through to re-employment.
- Get in touch with Centrelink early - find out the benefits you may be entitled to and the waiting period that may apply.
- If you are struggling to make interest repayments talk to your lender before they start calling you.

Macquarie Wrap Solutions Portfolios Change to Fee Structure

To date Forsythes has received it's income relating to the management of client monies within Macquarie Wrap portfolios in two ways:

- Adviser Fee (where applicable) - drawn from the investment balance each month and paid directly to Forsythes; and
- A share of the Administration Fee charged by Macquarie - paid to Forsythes by Macquarie.

This method is cumbersome and, although we have always fully disclosed both fees, has led to confusion for clients in the past. In the interest of greater clarity, and in keeping with ASIC and Financial Planning Association best practice, Forsythes will now draw a single, combined fee. The share of Macquarie's Administration Fee that we have been receiving, will be fully rebated to you.

There will be no increase in the overall fees paid by clients - this change will be cashflow neutral and is designed solely to provide greater clarity to our clients of the fees they are paying to Forsythes.

The following example demonstrates the outcome for a client with \$100,000 invested in a Macquarie Super Manager portfolio.

	CURRENT				NEW			
	Client Pays %	\$	Forsythes Receives %	\$	Client Pays %	\$	Forsythes Receives %	\$
Macquarie Wrap Administration Fee	0.66%	\$660	0.22%	\$220	0.44%	\$440	0%	\$0
Forsythes Adviser Fee	1.10%	\$1100	1.10%	\$1100	1.32%	\$1320	1.32%	\$1320
Total Fees p.a.	1.76%	\$1760	1.32%	\$1320	1.76%	\$1760	1.32%	\$1320

This change will occur at your next formal review, with paperwork to affect the change provided with your Statement of Additional Advice. If you have any questions in relation to this change, please contact your adviser.



Client Information Session Invitation

Forsythes Financial Planning

Invite you to attend a client information session.

We are pleased to present:

An Economic Update

Glen Sanders

Senior Investment Consultant ~ ipac Investment Services

Please join Glen to hear his thoughts on the current state of the market and his outlook on where we are headed from here.

Estate Planning - Tips & Traps

Ross Whitelaw

Whitelaw McDonald Solicitors

Ross will identify some of the important issues that you should consider in your estate planning.

Topics will include:

- Wills & Powers of Attorney
- Testamentary Trusts – Advantages & Disadvantages
- The Consequences of 'Getting it Wrong'

Date, Time & Location

Date: 29th April 2009

Time: 4.30pm - 6.00pm

Location: Newcastle Club, Newcomen Street, Newcastle

Dress Code: *DRESS CODE APPLIES! ~ See under speaker profiles

This is an opportunity that should not be missed!

RSVPs essential - book your place today

RSVP: By 22nd April 2009

Register on-line at www.forsythes.com.au

Or contact Rebecca McNally on 02 49288819 or

Email: rmcnally@forsythes.com.au

Speaker Profiles

Glen Sanders

Senior Investment Consultant ~ ipac Investment Services

Glen Sanders joined ipac investment services as Senior Consultant in 2005. ipac investment services is one of Australia's largest multi-manager firms, with \$12 billion in assets under management and a range of products in Australia and offshore.

Glen is lead consultant to ipac's institutional clients, advising on investment strategy and design. He is actively involved in key investment decisions for client portfolios.

Glen has more than 10 years' experience in asset management and superannuation, having previously worked for MLC and before that, REST Superannuation. Glen is a Certified Investment Management Analyst, and holds a Bachelor of Economics, a Graduate Diploma of Applied Finance & Investment, a Diploma of Superannuation Management and the Advanced Diploma of Financial Services.

Ross Whitelaw

Whitelaw McDonald Solicitors

Ross Whitelaw, born and bred in Newcastle, has been a local solicitor since 1978. He has practiced for the last 25 years at Kotara and is a partner in the firm Whitelaw McDonald.

He is a Notary Public and an Arbitrator for the New South Wales Workers Compensation Commission as well as being an accredited Mediator serving on several panels in that capacity.

He has a special interest in estates and estate planning, business succession planning and Elder Law in general.

* DRESS CODE – Newcastle Club

Smart, tailored attire must be worn.

Tailored shirt & dress trousers is acceptable for men.

Strictly NO denim, T-shirts, running shoes or sandals.

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The organisation (including its employees and agents) named on the front of this newsletter believes that the information in this publication is correct at the time of compilation but do not warrant the accuracy of that information. Save for statutory liability which cannot be excluded, they disclaim all responsibility for any loss or damage which any person may suffer from reliance on this information or any opinion, conclusion or recommendation in this publication whether the loss or damage is caused by any fault or negligence on the part of this organisation or otherwise. This publication provides general advice only. No direct or implicit recommendations are given in the document. This means that the general advice provided has not been prepared taking into account your individual financial circumstances. You should assess whether the advice is appropriate to your individual financial circumstances before making an investment decision. You can either assess the advice yourself or seek the help of an adviser.