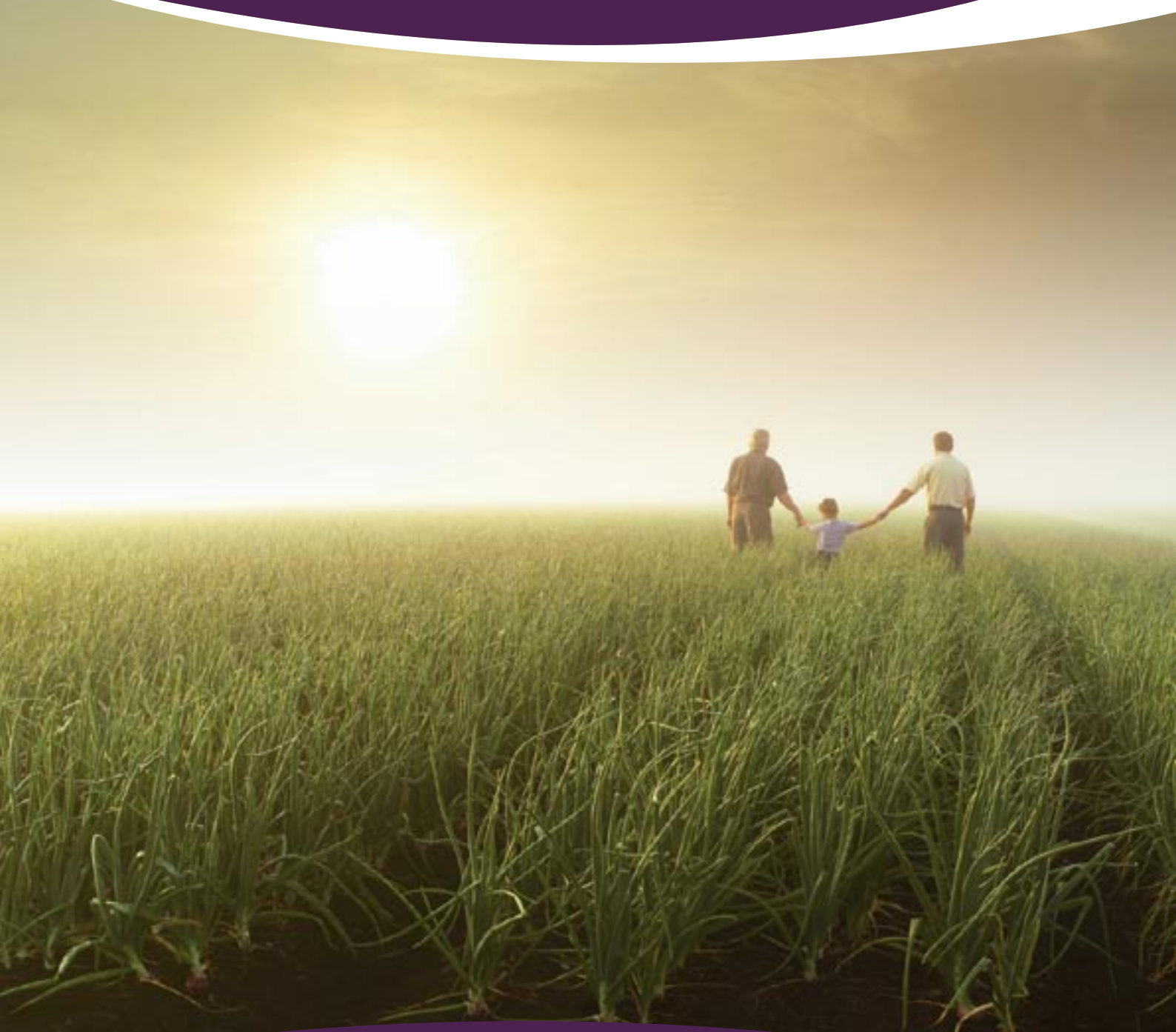


foresight

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Investment

What are your objectives? Have you clearly identified the correlation between risk and return and how it applies to your situation. Before you invest, its important to find the most appropriate investment structure for your circumstances.

To arrange an appointment, contact your adviser today.

With interest on borrowings down, should interest in borrowing be up?

Interest rates on variable rate home mortgages have been brought to almost record lows as the Reserve Bank tries to keep the economy moving in the face of worsening financial conditions.

So does this mean it's a good time to get into the property market?

According to experts, the answer is "maybe, but you need to weigh up the pros and cons carefully for your own individual situation".

On the plus side, in addition to low interest rates, we can list the first home owner's grant, a buyer's market and the fact that rents are relatively high, as persuasive reasons to make a call to your mortgage specialist.

On the 'look before you leap' side, before signing up for a substantial debt you need to be confident your income is secure, have your finance approved before you go house hunting, ensure the repayments are manageable, and put in place effective contingency plans in case of the unexpected.

Let's have a closer look at the plus side...

There's no doubt the low interest rates are a significant incentive for people to consider buying into the property market or using the equity in their existing properties to upgrade or invest.

And if you are a first home buyer the generous First Home Buyers Grant gives you an extra \$14,000 to put towards buying an existing home or \$21,000 if you are building. Before signing on any dotted lines however, make sure you do meet the eligibility rules.

The real estate industry is telling us the market is offering some very attractive buying opportunities currently. Exercise some caution here, remembering that interest rates are likely to rise at some stage. You certainly don't want to be tied into a mortgage on a property that you could only afford in the current climate. It's also important to remember that you'll be buying and selling in the same market, so while you

may expect to buy a bargain, the property you're selling may not achieve your price ambitions.

Rents are relatively high at present. As a renter, this could mean you'd be better off repaying a loan on a home of your own, instead of putting money into your landlord's pocket or paying off their mortgage. It's also good news for rental property owners; a low interest rate, high rent market environment makes for an attractive investment for many people who like having bricks and mortar in their investment portfolio.

But just before you rush into the property market on the back of these positives, spare some quality time to consider the 'look before you leap' issues.

Number one consideration at present is having a secure income. If the financial crisis continues to deepen, will your job or regular income stream be at risk?

If you're currently a two-income family, could you cope with a mortgage – no matter how cheap the interest rate – on one income?

If you're satisfied your income is secure, the next step is to get confirmation from your lender of the amount

and conditions of the loan they're prepared to advance you. Too many people have found themselves putting deposits on properties or committing to auction wins, without having their financing ducks lined up properly – a very expensive error.

Your income's secure, you have the lender's offer in writing. Take a step back for a moment and make sure the repayments are going to be manageable.

One final step before you rush out to the next open house. The unexpected can occur and needs to be prepared for. Make sure you have appropriate personal risk protection to cover you and your spouse in the event of premature death or disablement. Your adviser can give you a free over-the-phone insurance checkup to help you make sure all these bases are covered properly.

To sum up, the current low interest rates have certainly put property back into the spotlight and there are likely to be plenty of people for whom buying now is the right answer. But remember, spotlights focus attention away from the shadows. Before you find yourself tap dancing to a tune you are unhappy with, do your homework carefully.





Down to earth investing

We can't all own a farm, yet all of us consume products derived from primary industry, like food and timber. As the old investment saying suggests, "it's a good idea to invest in things you personally use", which explains the popularity of grocery retailers and banks as long term investments.

But until fairly recently it was quite difficult for private investors to get access to agribusiness investments. Now, with the introduction of managed investment schemes, even with modest funds you can get a piece of this growing sector.

Agribusiness investments fall into the broad category of 'alternative investments', which simply means 'other than the traditional asset classes' (shares, property, fixed interest and cash).

What's the attraction with alternative investments? In a nutshell, diversification, the prospect of attractive returns, sustainability and, for some, the potential for tax advantages. It is important to talk to your adviser to consider whether this opportunity is suitable for your circumstances.

Alternative investments have quite different characteristics to traditional assets, so don't behave

the same way as traditional asset classes. The beauty of this is that when traditional assets are 'zigging', alternative investments are likely to be 'zagging'. The technical term for this is 'negative correlation' and it is the foundation stone for diversification benefits.

We've all heard about the value of putting investment eggs in more than one asset basket. The concept of negative correlation helps us work out an effective mix of investment types to take advantage of their different behaviours in different market conditions. For example, mixing traditional with alternative assets gives a better chance of achieving a smooth return over the range of market conditions as market outperformers balance the under-performers.

Agribusiness investments add several extra layers of diversification to your investment portfolio, increasing your ability to weather different market conditions.

First off, unlike traditional asset classes, the value of your agribusiness investment isn't affected by market sentiment or interest rate movements. Then, there's a level of diversification in the way they structure income distributions. Next, since agribusiness projects are located Australia-wide you achieve geographic diversification. A number of different managers operate the agribusiness projects, so you can achieve diversification based on manager style. And because there are different products underlying the investment, you're getting diversification right there as well.

Let's move to the next reason more people are considering agribusiness investments – the potential for attractive returns.

Agribusiness investments offer the choice of long-term compounded returns or regular income, to suit different investor needs. They also give the possibility of substantially higher after-tax returns, than can be provided by traditional asset classes. That's a big claim, so let's back it up with some facts.

The first point to note is successful agribusiness investments focus on producing a high demand, high value product, such as valuable timbers or precious oils from endangered tree species, or essential food commodities such as wheat. Unlike commodities such as coal or iron ore or general building products, where demand and price can fluctuate widely, the agribusiness projects we select and recommend are carefully researched to ensure there is sustainable demand for their products and the price of those products is stable.

Depending on your personal circumstances, the structure and timing of the income from agribusiness investments may suit you down to the ground.

Let's take the example of a high value forestry project, which aims to produce teak poles and sawlogs and export quality sandalwood. In this case the term of the project is 20 years. Over that time the plantations will be harvested 8 times, in years 7, 8, 11, 12, 15, 16 and final clear felling in years 19 and 20. Each harvest generates a predictable income. This timing could well match your need for additional income in those years, for example to pay down non-tax deductible debt or boost your super balance, particularly since you know how much to expect.

Announcement for retirees with account-based pensions

- A 50% reduction in the minimum pension draw down requirements for the 2008-09 financial year. **No action required** unless you wish to change your pension amount.

Call your adviser to find out more.

Ethical considerations are becoming increasingly important for many of us. When it comes to investing, we want to put our money where our conscience is.

Selected agribusiness investments tick this box. For example, in the timber example mentioned the project eases pressure on native timber supplies, helps reduce soil degradation on farmland in Western Australia and north Queensland and creates a sink for greenhouse gases. The plantations are sited in suitable locations with abundant water resources, so there is no additional pressure on the environment. In addition, the managers of agribusiness projects work with and support local communities, providing a brighter future for their residents.

But if you're after a tax dodge or a quick way to get a tax refund, reputable agribusiness investments are not for you. They are first and foremost professionally managed long term profit generating opportunities and tax considerations should not be the primary reason to invest in them and all investors should seek professional tax advice beforehand.

That said, because the investment amount is tax deductible, families may benefit. For example, by reducing the family's income by investing in an agribusiness investment, you may become eligible for new or additional Centrelink benefits, such as the Family Tax Benefit Part A.

So we've seen there's plenty of potential upside with agribusiness investing. What about the risks?

As with all investments, agribusiness opportunities do have some risks attached to them, even though because of their nature they don't tend to have the extreme ups and downs of other asset classes.

The risks may include lower than expected returns, risks relating to agriculture in general and radical changes to legislation that affect the structure of the investment. Prudent investors seek professional advice and always look at all sides of a prospective investment to make sure they understand clearly what they are buying into and what they can expect from it.

So who is best suited to investing in agribusiness?

Think about your investment motives first. Do you want to increase the level of diversification in your investment portfolio? Are you a part of a middle-income family looking to improve financial security and optimise cash flow? Are you seeking a way to create wealth over the long term? Are you keen to put your money in an investment that stacks up environmentally, financially and from a community perspective?

You may have some specific financial goals in mind, for example, establishing a savings habit, boosting your super, reducing your home loan or developing a commitment to a long term wealth creation habit.

If any of these categories describe your own situation, you may find it well worthwhile talking to your adviser about the suitability of agribusiness investments for your situation.



“intelligent investing”

Carving up the \$42 billion pie

The Rudd Government's Nation Building and Jobs Plan, which is currently being debated in parliament, has promised \$42 billion of government spending to a wide range of Australians to stimulate the economy.

Here's a snapshot of the current proposal:

- Free ceiling insulation for around 2.7 million Australian homes
- Build or upgrade a building in every Australian school
- Build more than 20,000 new public housing and defence homes
- \$900 one-off cash payments to eligible families and single workers
- \$950 one-off cash payments to students and drought affected farmers
- A temporary tax break for small businesses buying eligible assets
- Increased funding for local community infrastructure and roads.

The Household Stimulus Package includes:

- A Tax Bonus for Working Australians of up to \$900 for Australian resident taxpayers who paid net tax in the 2007-8 financial year.

You need to lodge your tax return for the 07-08 year by 30 June 2009 to be eligible.

'Net tax' means a tax liability after calculating tax payable on assessable income, plus Medicare levy and Medicare surcharge where applicable, less any offsets or imputation credits received in respect of the 2007-8 financial year. Your tax Notice of Assessment will detail each of these amounts.



The amount of the bonus will depend on the taxpayer's taxable income:

Taxable income up to and including	
\$80,000	\$900 bonus
\$80,001 - \$90,000	\$600 bonus
\$90,001 - \$100,000	\$250 bonus

Eligible taxpayers will not have to apply for the payment; the Australian Taxation Office will pay the bonus by electronic transfer or cheque once your eligibility has been confirmed.

- A Single-Income Family Bonus of \$900 to provide additional assistance for families with one main income earner, so they receive the same assistance as two income families with similar income.
- A Farmer's Hardship Bonus of \$950 to be paid to farmers and other receiving Exceptional Circumstances related income support
- A Training and Learning Bonus of \$950 to assist students, those returning to study or training and some income support recipients
- A Back to School Bonus of \$950 per child to assist low- and middle-income families eligible for Family Tax Benefit A with school-age children.

For more information go to www.treasurer.gov.au and click on 2009 Fact Sheets.

Are you prepared for the worst?

In the aftermath of the devastating Victorian bushfires, as individuals and communities start to calculate the almost overwhelming cost of the disaster, we're starting to see the public's focus moving towards the issue of insurance cover.

Media attention seems to be directed towards claims for property and possessions, highlighting the financial burden where people are uninsured or under-insured.

Much more tragic in our view are the firestorm victims now having to come to terms with loss of loved ones, or facing many months of medical attention and recuperation from their injuries, unable to earn a living during that time. Many of these people are trying to cope without the financial safety net of personal insurance cover.

At a time when all Australians are in mourning for the bushfire victims, we also need to spare a thought for how the survivors will be able to rebuild their lives over

the next few years, not just their houses, in many cases without the major breadwinner or the primary caregiver.

The generous donations coming into these communities from all over Australia will help in the short term. But what about the substantial costs – mortgage or rent payments, kids' education and the like?

The cruel reality is too many people leave it too late to get their financial houses in order in preparation for life's hard challenges. It's often the case we need a catalyst to make significant change.

Just as we're all more aware now of the precautions we need to take to protect our property in case of fire,

the bushfire devastation contains an important lesson in making sure we've done our best to protect our family's ability to survive financially in the case of death or disablement of the providers.

Make sure your life insurance and other personal risk policies will actually do the job you want and need them to do in the event you or a family member are victims of premature death, disablement, sickness or accident. Make sure your loved ones won't be forced to depend on charity to rebuild their lives if something happens to you.



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