



Update

DECEMBER 2010

from the offices of **Cameron Darnley, Gray Foreman & Robert Latimer**

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Christmas time is here again ...

Once again it's December and we find ourselves wondering where the year has gone. A common complaint we suspect!!

Overall it's been a very busy year and we take this opportunity to thank you for your business and the trust you have placed in our financial planning service.

May you and your family have a safe and joyful time over the Christmas period plus a great New Year.

Merry Christmas from us all ...

**Cam, Chris, Gray, Linda,
Robert, Soo Wah and Wilson**



GIVING TREE

Toys for children in need will again be collected this year under the office Christmas tree. If you get a chance why not pop in and drop one off. No need to wrap them.

(All toys distributed through the North Ringwood Uniting Church Community Care.)



All together for an office photo: l-r, Linda, Robert, Wilson, Cameron, Soo Wah, Chris and Gray

To save or to spend?

About 18 months ago, a big concern was that the collapse in wealth, reduced credit availability and economic uncertainty associated with the GFC would trigger a downwards spiral as households sought to repay debt and cut spending; causing a further fall in asset prices, and hence wealth, and triggering more efforts to cut debt, etc.

This event was headed off by monetary easing [ie interest rate falls] and fiscal stimulus [ie Govt spending]. But where does this leave us in terms of household balance sheets and debt levels? Will consumers go back to their old ways or remain more cautious going forward?

Anecdotes from retailers attest to a more cautious attitude on the part of Australian consumers who indicate a strong desire to pay down debt as illustrated in the following graph.

Source: Oliver's Insights, Edition 34, 29/10/10



Source: Westpac/Melbourne Institute, AMP Capital Investors

New Team Members

It's been a year of change around the office with Cheri and Monica both moving on after many years of loyal service.



Joining Chris recently in the office "engine room" is **Soo Wah** and **Wilson**.

Soo Wah comes to us from Melbourne University where she completed her Masters of Financial Management. Her intention being to continue her studies towards becoming a qualified Financial Planner.



Wilson recently completed a Bachelor of Commerce at Monash University, Clayton and is also continuing his financial planning studies.

Both Soo Wah and Wilson bring a cheerful customer-focused attitude, plus an ability to learn quickly. **Welcome !!**

Christmas Office Hours

The Hillross Burwood East & Ivanhoe offices will close at 12:00 noon on Friday 24 December and reopen on Tues 4 January 2011.

Aussie \$ scales new heights

After links to the Pound Sterling were cut in 1967, the Australian dollar was linked to the US dollar from 1968 at an official rate of \$1.00 AUD to \$1.12 USD. After being floated in 1983 the currency dipped to under 49 US cents in 2001, before topping out at 98.04 US cents in 1998; an increase of around 100% and it's highest rate in 24 years. Then at 12:06pm on 5 November the Australia's dollar traded beyond \$US1.00, the strongest since exchange controls were scrapped.

So why is the Australian dollar so strong? Well, it'd be nice to think it was all about the strength of our economy, but in reality it also has a lot to do with the weakness of the US economy, where unemployment is close to 10% and house prices have fallen 20-30%. Attractive interest rates, (pushed up by the Reserve Bank to contain inflationary pressures) plus the demand for our resources, (particularly from China) are also playing their part in keeping the \$AUS strong. The question now seems to be "How high can the Aussie go?"



Super claims on death

You may not have left your super to the person you intended. Strict rules govern how your super is distributed when you die - and it's important to follow those rules to make sure your money ends up in the right hands.

One of the most important decisions you make when you join a super fund has nothing at all to do with investment. It revolves around the question of who to nominate as the beneficiaries of your super when you die. It's a critical decision because if you don't get it right your savings could be given to someone other than your preferred beneficiaries.

Few exceptions

When a fund member dies, subject to the trust deed, his or her superannuation may only be paid to:

- ▲ The member's spouse (including a de facto spouse, whether same sex or not)
- ▲ The member's children
- ▲ A person who was financially dependant on the deceased member at the date of death
- ▲ A person with whom the deceased member had an interdependency relationship at the date of death
- ▲ The member's legal personal representative (estate)

Source: Strategy Steps P/L

Offset OR Redraw?

You're buying a house. You need a loan. You hunt around for the lowest interest rate, push your repayments up as high as you can afford, knowing you can re-draw from the loan if required. All sounds pretty normal and flexible doesn't it.



Fast forward a few years. You've paid off a swag of the home loan and **now** you've

bought a second home in which to live and you intend to rent out the first.

Two problems emerge ...

PROBLEM No.1 — you want to maximise the debt on the first property, (where you've already paid off much of the loan)

because it's now an investment property and you'd like to claim maximum interest as a tax deduction.

PROBLEM No.2 — you want to minimise the debt on the second property because it'll be a personal asset where no tax deductions can be claimed.

SOLUTION? If you had taken an **OFFSET** loan at the start, instead of a redraw loan, then property number two could be purchased using the accumulated savings in the Offset A/c, thereby limiting the amount of debt required. By withdrawing the cash from the Offset A/c you have now, by default, increased the effective level of debt on the first property; which can now be claimed as a tax deduction.

It sounds tricky, but really it's not. If you, or a family member would like some more details simply call the office on **9814 9333**.



Thank You

A total of 47 NEW clients have been referred to us for a free **Initial Discussion** so far this year.

Thank you again to those clients who have passed on our details to family & friends and encouraged them to give us a call. Our business has grown by referrals over the years and we really do appreciate your support.



I wish I'd said that...

A single act of kindness throws out roots in all directions, and the roots spring up and make new trees. The greatest work that kindness does to others is that it makes them kind themselves.

Amelia Earhart

Those who make peaceful revolution impossible will make violent revolution inevitable.

John F. Kennedy

Great things are done by a series of small things brought together.

Vincent van Gogh

You've got to get to the stage in life where going for it is more important than winning or losing.

Arthur Ashe

We must not allow ourselves to become like the system we oppose.

Bishop Desmond Tutu

Earn all you can, Save all you can, Give all you can.

John Wesley

Those who try to do something and fail are infinitely better than those who try nothing and succeed.

Lloyd Jones