Insight

INNOVATIVE FINANCIAL SOLUTIONS (QLD) PTY LTD

ISSUE ONE: AUTUMN 2013

Helping you achieve financial success and peace of mind by providing you with a personalised financial strategy

In This Issue...

Welcome:
To our first issue of Insight

Through this newsletter we hope to provide you with relevant insight into the areas which affect you and those around you.

Here at Innovative Financial Solutions we have always felt that a large part of our role is to partner with you to cut through the "noise" and break down the issues that will impact on your personal situation.

As I reflect on 2012 and look forward to 2013, there have been some fantastic positives to go with the negatives that have been with us for some time now. However it continues to remain clear to me that we remain in a time of intense change, which will again be highlighted with regional issues in the US, China, Europe and of course at home here in Australia.
The least of which being an election in September this year.

We look forward in continuing to work with you and of course feel free to contact us at anytime to discuss your situation.

Also, we hope this newsletter is of value to you and appreciate any feedback and suggested topics that you feel you would like us to address in future editions.

Thank you for your continued support.

Kind Regards
Chris Hockey
Director
Innovative Financial Solutions (QLD) Pty Ltd

Insurance is for everyone

With the right insurance cover you can protect your income, your debts, and your family from the consequences of bad health.

When you're fit and active, it's easy to take your health for granted. But sickness and injury can happen to anyone, at any time. And even the healthiest people need a back-up plan if something goes wrong.

While most people use insurance to protect their home and cars, many fail to protect their biggest asset – themselves. How long would you survive financially without an income? What would this mean for those around you?

There are a broad range of insurance products to help you protect your financial future.

Life insurance

Life insurance – or Life Cover – provides a lump sum on your death or on the diagnosis of terminal illness.

Life insurance provides financial support when it's needed most, giving your loved ones the financial freedom to make choices about their future.

Did you know?

In Australia, there is 1 death every 3.5 minutes[1]

Total and Permanent Disablement insurance

Total and Permanent Disablement (TPD) insurance provides a lump sum if you suffer a sickness or injury that leaves you totally and permanently disabled.

TPD insurance benefits are often used to remove debts, pay for medical expenses or home modifications, or fund any permanent lifestyle changes resulting from disablement.

Did you know?

19% of Australians have a disability[2]

Trauma insurance

Trauma insurance – or recovery insurance – provides you with a lump sum on the diagnosis (or occurrence) of one of a list of serious medical conditions and procedures.

Each insurance company maintains their own list, but they generally include serious medical conditions such as cancer, heart attack or stroke.

Did you know?

The Cancer Council of Australia estimates that while 50% of people will be diagnosed with cancer by the age of 85, more than 60% will survive more than five years after diagnosis[3]

Income Protection

Income Protection pays a monthly amount while you are unable to produce an income as a result of sickness or injury. Our Income Protection policies will cover up to 80% of your salary if you are severely or partially disabled.

Did you know?

Every year, serious illness and injury forces about 17,000 working-age parents to stop working either permanently or for an extended period of time[4]

Business Expenses insurance

Business Expenses pays a monthly benefit to cover fixed business costs if you suffer a sickness or injury and are unable to work. It is designed to cover the fixed day-to-day costs of running your business in your absence, such as rent, staff salaries and other business overheads.

Did you know?

1% of bankruptcies in 2009 were caused by ill health[5]

1. 'Population clock' – Australian Bureau of Statistics, November 2011
2. 'Disability, Ageing and Carers, Australia: Summary of Findings, 2009' – Australian Bureau of Statistics
3. http://www.cancer.org.au/Newsmedia/factsfigures.htm
4. The Lifewise/NATSEM Underinsurance Report, February 2010
5. www.itsa.gov.au, Profiles of Debtors 2009

2012 Looking Back

With the football season upon us, it is symbolic to describe investment markets in 2012 as a game of two halves.

The first half of 2012 was characterised by major headline-grabbing events including the European sovereign debt crisis, uncertainties around China's economic slowdown, ongoing political dramas in the US and last but not least, a struggling domestic economy. This contrasts with the latter stages of 2012, which saw sharemarkets around the world rise appreciably.

The calamity in Europe caused investor nervousness worldwide. Several of Europe's member states including Greece, Spain and Italy had accrued such massive government debt that markets questioned the ability for these debts to be repaid. Exacerbating the problem was that much of these borrowings had been provided by European banks. At the height of the problem, it was estimated that French banks had around US$90bn of loans outstanding to the Greek government alone. While the EU has a monetary union as demonstrated by the single currency, the debt crisis highlighted that the EU does not have political union.

The unknown extent of China's economic slowdown had markets nervous through much of 2012. In response to the global financial crisis (GFC), the Chinese government embarked on an ambitious US$586bn stimulus spend. Money poured into areas such as housing, transportation and rural infrastructure. But with many of these projects nearing an end, markets began to fret that the important Chinese economy may have been in for a steeper deceleration than previously anticipated, particularly as they are reliant on Western nations to buy their cheap goods.

Meanwhile in the world's largest economy, the United States, things were far from rosy. Economic growth has remained a stop-start affair and of primary concern has been unemployment. The number of official jobless has remained stubbornly above ten million. In a bid to boost employment, the US Federal Reserve (the Fed) initiated a third round of quantitative easing. This unconventional tactic saw the Fed commence buying US$40bn of financial assets each month in an effort to pump more money into the financial system and kick-start further economic growth.

Back home and 2012 was a challenging year for the Australian economy. A sharp fall in commodity prices midway through the year and a persistently high Australian dollar made the local economy a patchwork affair. Currency sensitive sectors such as manufacturing and tourism continued to struggle. The Reserve Bank of Australia (RBA) dropped official interest rates in response but didn't get the desired result. Normally a drop in the official cash rate sees a fall in the value of the Australian dollar. While Australian interest rates are at historically low levels, they remain higher than in most other Western economies and this attracted a lot of capital from offshore as a result. The Australian dollar was also buoyed because Australian Commonwealth Government debt is rated AAA. Only a handful of countries have AAA-rated government debt so vast inflows of capital pushed our currency higher.

The latter stages of 2012 saw sharemarkets around the world rise appreciably.

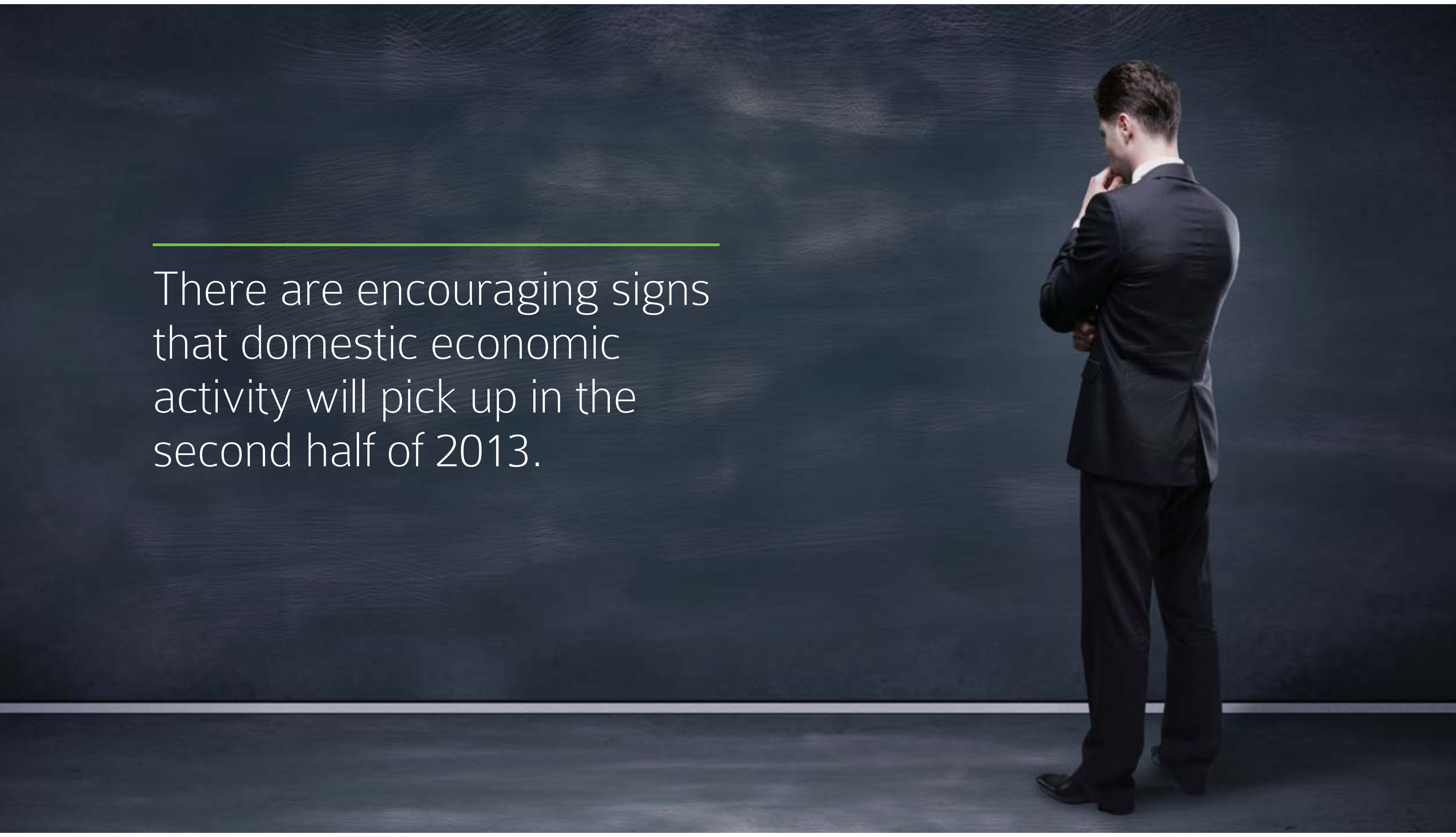
2013 Looking Forward

Investor sentiment has clearly shifted. 2013 will be a low-growth environment for the global economy however some of the major concerns of 2012 such as China and the US have improved markedly and sharemarkets have responded accordingly. In the US, sharemarkets are around all-time highs as US company profits continue to rise. US manufacturing is enjoying a prosperous period aided by a weaker US dollar. US companies are also benefitting from the rising middle class in countries such as China and India. The likes of Coca Cola and Apple are taking increasing amounts of revenue from these emerging economies. Employment growth will be the single most important factor driving the US sharemarket for the year ahead.

The European debt crisis will regain the attention of investment markets from time to time. However, markets are increasingly comfortable that the European problem is now understood by policymakers and they will muddle their way through the next decade and beyond in what is a long term fix for a very complicated problem.

Domestically, a patchy economy will remain for the foreseeable future. In the latest round of earnings updates from Australia's largest listed companies, many posted an increase in earnings but it was through cost-cutting rather than growing their revenue line. Revenue growth is the missing ingredient for Australian shares to go materially beyond current levels. A high Australian dollar and sluggish consumer confidence are the major obstacles. While the currency is expected to remain at high levels, there are encouraging signs that domestic economic activity will pick up in the second half of 2013. Sharemarkets move in advance of expected economic conditions and the recent gains would be consistent with a market sensing that a better environment for profits is just over the horizon.

This article has been prepared by Tyndall AM and does not consider your personal circumstances and is general advice only. You should no act on any recommendation without considering your personal needs, circumstances and objectives. Innovative Financial Solutions (QLD) Pty Ltd recommends you obtain professional financial advice specific to your circumstances.



There are encouraging signs that domestic economic activity will pick up in the second half of 2013.

If you're new to the workforce or just new to super, here's a quick and easy guide to super in seven steps.

Together with your home, your super is likely to be one of the most valuable assets you ever own. That means it's important to understand where it's invested and to be active and engaged in managing it. So if you're new to the workforce or just new to super, here are seven steps towards understanding your super and staying on track.

1. Getting your due

If you're over 18, your employer generally has to pay you super, whether you're working part time or full time. If you're under 18 and working 30 hours a week or more, you should also generally get super.

If you're a contractor, you may be entitled to super if you're being paid for your labour, even if you invoice using an Australian Business Number (ABN).

2. Choosing a fund

When you start a new job, your employer should give you information about your super choices and the employer's default super fund. Most people can choose their own fund, except for employees hired under some older styles of workplace agreement, including state awards.

If you have a choice of super funds, you can tell your employer which fund you'd like your contributions paid into, using a standard choice form from the Australian Taxation Office (ATO) or from your employer.

3. Making contributions

Once you start work, your employer needs to pay Superannuation Guarantee Contributions into your super fund account, currently equal to 9% of your salary, or they will be liable for Superannuation Guarantee Charge.

You can also make extra contributions yourself, either by putting some of your pre-tax salary or your after-tax salary into super by asking your employer to make extra contributions. A pre-tax contribution is called 'salary sacrifice'. It can be an especially effective way of adding to your super, because these contributions are only taxed at 15%, instead of your marginal tax rate.

4. Staying on track

Once your money is in the fund, your fund manager invests it in the options you've chosen – whether shares, bonds, property, cash, alternative investments or a mixture of all and more. They'll send you regular statements to let you know how your savings are going. Colonial First State also enables you to check your savings online, 24 hours a day.

5. Switching jobs

When the time comes to move on to your next job, remember to keep track of your super. If you have a choice of funds in your new job, you may be able to ask your new employer to keep contributing to the same super account as before. If not, you may want to transfer your existing savings into your new fund. That makes it easier to keep track of your money, as well as potentially helping you save on fees. Contact us to find out more about combining your super.

6. Accessing your money

Generally, your money stays invested until you're at least 60 and ready to retire. Unless you're in severe financial hardship, incapacitated or seriously ill, you will not be able to access it early. So super is very much about preparing for retirement.

7. Getting an expert opinion

Super is a great way to invest, but it can also be complicated, and everyone's situation is different. If in doubt, it's a good idea to talk to a financial adviser. They can help put you on the right track today, so you can enjoy a brighter future tomorrow.

Our investment decades

Many opinion pieces and financial articles have been written with handy tips to help invest your money. An issue with many of these is that the people reading them are, in all likelihood, of different ages and at different stages of life.

With this in mind we've broken down each decade to help you understand some of the financial considerations.

20–29 year olds

Many people have just entered the workforce at this stage and most people will still be renting. While some people in their twenties have formed long term relationships many have not had children. For the majority, home ownership and families are still a thing of the future.

The major financial focus for this group is to eliminate debt that may have been accumulated while at university/college (HECS–HELP, credit card debt, student loans etc.), and to start to save for a deposit on a home.

30–39 year olds

By the time most people are in their thirties, they are in long term relationships and a lot have had children. Many people during this period have bought their first home and some would even be considering renovations.

The major financial focus during this stage is usually on reducing mortgages as much as possible.

People in this age bracket need to be careful not to over extend themselves financially, and aim to keep money available for emergencies that are more likely to occur than when they were renting and had no children.

Those without children or a mortgage, who are looking to get ahead at this stage may consider investing in the share market.

40–49 year olds

It may sound obvious but the financial position in this period will be largely determined by how much spending restraint has been shown during the previous decade. For disciplined savers there is a good chance of being able to upgrade to a bigger home at this stage of life.

In saying that, the forties can be difficult for couples who have children in their teens as they generally incur more costs at that age, especially if they attend private schools. Careful budgeting is required for people in this position.

Those that don't have children and have enough money for their day to day expenses may start thinking about diverting more of their money into superannuation.

50–59 year olds

By this stage many people will start experiencing more sustained wealth creation due to fewer family costs. The reason for this is because most will have children at an age where they are becoming financially independent.

Generally salaries are also higher in this bracket. Putting more savings in superannuation is very common when people are in their fifties given the current tax incentives that come with it. This is also an opportunity for many to start their own individual business.

60 and beyond

For people past 60, the main financial focus is to invest savings to generate a retirement income and maximise the age pension.

In summary

Regardless of which stage you are at, it's important to make a financial decision based on the assessment of the risks and opportunities that exist in your life. As you can see, these seem to change with each decade.

A financial adviser can help you find the right investment opportunities for your individual situation and for each life stage.

This article is based on a post that first appeared on the CommBank blog.

At Innovative Financial Solutions (QLD), our aim is to help you achieve financial success and peace of mind by providing you with a personalised financial strategy.

About us

We are a boutique financial planning practice providing strategic financial advice solutions for clients in areas such as wealth creation, superannuation, risk management and retirement. We strive to provide you with a plan that will create and protect your wealth over the long term, while dealing with your day to day financial needs.

We are committed to service excellence and ongoing adviser education. All of our advisers are qualified, financial experts with the experience to ensure the best financial out come for you. Our quality financial advice puts you in control.

Our advisers

Our highly accessible and expert professional advisers are the key to our first-class client service. They will provide clearly communicated, tailored solutions and practical recommendations to ensure you grow and succeed in today's challenging environment.

Their capability is constantly improved through training, professional development, international secondments and workplace programs.

The value of advice

Making the right decisions about your finances has never been so important. A financial planner can help you do this by understanding your financial situation and helping you develop a financial plan to meet short and long-term goals.

The right financial planner has the potential to provide outstanding value for money - creating a benefit that reaps rewards far in excess of the cost involved.

Of course, 'value' often goes beyond dollars and cents. It can be the peace of mind and security that comes with being prepared for the future. Or it may be the helping hand that arrives at a time of personal upheaval. Sometimes it's the clear sense of direction an expert can provide when we arrive at one of life's crossroads.

Whether you have definite personal goals, like saving for retirement or funding your children's education, or you're facing a raft of financial challenges, a financial planner can make a difference. Put one of our financial planners to the test and you will be offered sensible, achievable solutions that identify opportunities and help you avoid costly mistakes that could derail your future plans.

Our Services

Personal insurance
Superannuation

Retirement Planning
Investment Strategies

Small Business Planning
Estate Planning

INNOVATIVE FINANCIAL SOLUTIONS (QLD) PTY LTD

www.infinancial.com.au

For more information on this newsletter or the products and services provided by Innovative Financial Solutions (QLD) Pty Ltd please contact us:

Brisbane office
2/35 Woodstock Road
Toowong QLD 4066

P: 07 3371 2312
F: 07 3371 5224
E: enquiries@infinancial.com.au

Gold Coast office
59/1 Arbour Avenue
Robina QLD 4226

P: 07 5562 2200
F: 07 5593 0555
E: enquiries@infinancial.com.au

Authorised Representative of Suncorp Financial Services Pty Ltd
ABN 50 010 844 621 **AFSL and Australian Credit Licence No.** 229885