Insight

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INNOVATIVE
FINANCIAL SOLUTIONS
(QLD) PTY LTD

Will we be able to weather the storm of China's economic slowdown?

What effect will the slowing pace of China's growth have on Australia's economy? **See our Market Volatility Update on page 4.**

In This Issue...

Brought to you by Innovative Financial Solutions

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

Welcome to our latest edition of Insight

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

Spring is now upon us, personally my favourite time of year, and we are fast approaching the end of 2015. In recent times we have seen some considerable share market volatility both domestically and internationally. While global economic fundamentals have not changed there has been quite a lot of short term “noise” and it’s important to cut through this to consider how it is relevant to your own individual situation.

Many of our clients are invested in diversified portfolio’s that are designed with a long term view to work through not just market increases but down turns in markets as well. However it continues to highlight the importance of reviewing your situation with your adviser to make sure your strategy continues to be relevant to your current situation. So please feel free to contact your adviser to discuss this further.

Continuing to keep you informed is something that we here at Innovative Financial Solutions feel strongly about and I’m pleased to announce the launch of our new interactive website **www.infinancial.com.au**. Through this website we now have numerous interactive articles and video’s on topics that are relevant to our clients goals and objectives and I would encourage you all to use this as an ongoing resource. In particular the IFS News area which we update regularly with topics such as market updates, economic tips and traps and other various topical articles and videos. Also, if you use Facebook please like our page which we continue to update with the same relevant information.

Lastly it is with great pride that I would like to let you know that at our National Conference last month Innovative Financial Solutions was again recognised with the top award **“Practice of The Year”**. The award criteria is based on innovation and contribution to the industry, compliance, client outcomes and new advice provided to the market place. I would like to congratulate our team on this great recognition for their hard work and dedication.

Thank you for taking the time to read through our newsletter and of course feel free to contact us at any time to discuss your situation.

Thank you for your continued support.

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

Boost Juice founder Janine Allis: Business wisdom from my mother

Founder of the internationally successful Boost Juice franchise and mother of four, Janine Allis, shares the lessons her mother taught her – and the financial lessons she will pass on to her children.

From its humble beginnings as a lone store in Adelaide, the Boost Juice franchise has grown to 300 stores across Australia and internationally. Its holding company, Retail Zoo, turned over $250 million in the last 12 months.

Founder and Executive Director Janine Allis had no formal business training. She learnt most of her business lessons from experience and good advice – some of it from her mother. While she readily admits her mother has no head for business, Allis says that her support and values were critical in helping her achieve her business goals. Here are three of the lessons Allis' mother taught her and the advice she'll pass on to her own children.

LESSON ONE

Surround yourself with people who support you

Allis credits her mother with giving her the support she needed to create a successful business.

"My mum is a gorgeous woman. She's the most nurturing and wonderful person who is all about her family. Not only has she dedicated her life to her family, but she also gets her joy out of helping her four children. She's incredibly selfless – and a much better person than I am." Allis says.

"There's not a business bone in her body! But what she has given me financially is the freedom to go to work and she's helped me look after my kids and helped raise them."

LESSON TWO

Pay attention to the little things

Allis says her mother's attitude to life has helped her focus on – and get pleasure from – the day-to-day activities of building a business. "My mother has shown me you get great joy out of small things not big things," says Allis.

That attitude has helped her stay motivated to keep working towards her larger goals. Allis is also a strong believer in living within her means.

"Well before Boost Juice had become a financial success, and even now, I run a budget," she said. It's also a lesson Allis applies when looking to invest. "One of the things I look at in a business is its fundamentals," Allis says.

"You need to keep it simple, and do your research first – do the numbers. The amount of time you put in prior to the investment is nearly as important as the investment itself."

NUMBER THREE

Find what makes you happy

One of the greatest lessons her mother has taught her is the importance of kindness – something that can be lacking in an unforgiving business world. And that extends to being kind to yourself and finding what makes you happy.

"I know I've got a lot of girlfriends who were stay-at-home mums and they love it, but I wouldn't have been a happy woman, which means I wouldn't have been a happy wife or mother. I admire my friends who do that. But I think success is happiness, and happiness is different to different people. By working, your children have a different life. My children have travelled to different countries they would have never travelled to – my office is like their home because they've spent a lot of time there.

"Maybe I didn't do the tuckshop, I forgot to hand notices in – but what you lose you can gain. If you're a happy person, then you tend to be a happy everything else."

Passing on financial lessons

Allis's children are aged from 5 to 22. What financial lessons does she hope to pass onto them?

"You will never get wealthy relying on a salary," she says.

"If you're PAYE, you have to invest outside of your salary. You have to have really strong strategies and plan for the future – making every dollar work for you.

"What you do when you're younger, will dictate the quality of life you have when you're older. You need to plan really effectively – look at your income and see how you can make it work for you to create wealth."

Market Volatility Update

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Key factors behind the market volatility

Much of what has taken place in global financial markets in recent days/weeks has been driven by fresh concerns over the pace of growth in China and further volatility on Chinese equity markets.

Chinese policy makers appear to be prioritising the slowing economy and stabilising the currency over protecting the equity market – as a result of the apparent lack of immediate policy action on the latter, the Chinese equity market continues to fall sharply and this has led to falls in global equity markets. There have been no other signs of a broader global economic slowdown.

Outlook for the Federal Reserve and US monetary policy

The start of the US monetary policy normalisation process (ie raising interest rates) was always going to be challenging for financial markets.

Since the onset of the Global Financial Crisis (GFC) in September 2008, all the world's major central banks had been working in the same direction – easing monetary policy by lowering interest rates and when rates reached zero, they undertook Quantitative Easing (QE) programs of various shapes and sizes (ie US, UK, EU, Switzerland and Japan).

The ongoing recovery in the US, especially through 2014, meant that the US could cease its QE program (in October 2014) and then start thinking about raising interest rates.

Of course, the US Federal Reserve (the Fed) has not yet raised interest rates – although Fed officials are still talking about a potential rate hike this year.

An equity market event

It is important to note that recent market developments have primarily been an equity market event – rather than a bond market event. Yes, bond yields are lower, but this likely reflects declining Fed tightening expectations and lower commodity prices and not something that is broader.

So it seems accurate to describe recent events as a correction in equity markets (and a severe one at that), not the start of another GFC.

Expect further policy easing in China

While there is evidence of a slowdown in the Chinese economy, the Chinese authorities still have plenty of room to ease policy. Further interest rate cuts, reductions in the Reserve Requirement Ratio (which would allow more money lending) and further currency depreciation are all in play.

Markets should expect further policy easing from the Chinese authorities in the days, weeks and months ahead.

The other positive for markets is that although the Fed has ended its QE program and is expected to begin raising interest rates before year-end, both the European Central Bank (ECB) and the Bank of Japan (BoJ) are still undertaking aggressive QE programs and if anything, these asset buying programs could be increased in the months ahead. The scale of the ECB and BoJ QE programs will more than offset the end of the US QE program.

Recent developments

Here was the state of markets as at Wednesday 2nd September at 9am AEST time:

- After a sense of calm returning to markets in late August, there were once again heavy falls on Monday 31st August on global sharemarkets.
- This was led by some weaker economic data out of China, with official Manufacturing Purchases Managers Index falling to 49.7 from 50.0, a three-year low and as debate continues around the timing and pace of the first interest rate hike by the US Federal Reserve.
- The Shanghai Composite Index fell 1.2% in trading on Monday 31st August and was down 21% since falls started on 17th August 2015.
- The oil price has rebounded to $US45 after trading as low as $US38 a barrel on Tuesday 25th August. This was the lowest since 2009. The rebound has been helped by some signs of lower production in the US.
- Global equity markets continue to trade with volatility.
- The US S&P500 fell 3.0% on Monday 31st August after ending the previous week up 0.9% despite heavy falls early in the week.
- Overall the S&P500 fell 6.3% in August.
- On Monday 31st August the Dow Jones Index fell 2.8% after finishing the previous week up 1.1%.
- Bond markets have traded with relative calm; the 10-year government bond yield in the US is currently 2.15%, after recovering from 2%, which was reached on 24th August. There is currently around a 50% chance of the US Federal Reserve lifting interest rates on 17th September priced in, this has risen over the past week.
- European markets also have fallen on Monday 31st August, with the Euro Stoxx 50 down 2.5% on Monday 31st August after ending the previous week up 1.2%.
- The ASX200 fell 2.1% on Monday 31st August – after falling 8.6% in August.
- The AUD fell as a result of the weaker Chinese data and was trading at $US0.7010 as at Monday 31st August, its lowest level in six years and has been on a steady depreciation path for the past year.

It is important to note that apart from China, there have been no signs of renewed economic weakness in the US, Europe or Australia.

What does the market volatility mean for your investments?

Accumulators

It's time in the market, not timing the market, that's important. So if you can ride out the volatile times, you could have a smoother return over the long term. Diversifying your investments can help to defend against volatility and reduce risks. You can diversify across a variety of investment options.

It's also important to manage your expectations. A slower global economic growth rate means a period of lower returns on traditional asset classes. Returns in the decade leading up to the recent Global Financial Crisis were abnormally high, so it's important you don't use these returns as the norm. It's also a good idea to be aware of your own tolerance to risk so that you can assess new investment opportunities as they arise.

So don't be discouraged when you hear the word "volatile". Talk to your financial advisor today to see what type of action best suits your investment plan.

Pre- and post-retirees

If you're in retirement or nearing retirement, it is understandable you want to protect your investments. After all, your investment returns play a vital role in funding your retirement. In times of volatility it's easy to react emotionally.

But now is the time to keep a level head and stick to your long term investment strategy. Trying to time the markets and responding to every market movement could leave you considerably worse off.

It's a good time to speak to your financial adviser and remind yourself that markets do recover. Don't let short-term volatility get in the way of your longer-term needs.

INSURANCE INSIGHTS

Priceless protection

Life insurance gives people money when they need it most, but of course most of us would prefer not to need it! Fortunately, it can provide other invaluable benefits.

What do you see as an invaluable benefit of having life insurance? In a recent Suncorp survey[1], the most common answers were:

- ✓ Peace of mind that my family will be OK
- ✓ Doing my part to look after my family
- ✓ I can relax and live with confidence

Life insurance could help you feel this way too. We know that family comes first for most Australians and helping protect them financially against worst case scenarios is something that can bring tremendous emotional benefits – with or without having to make a claim.

When people do need to make a claim, the immense relief experienced by those with the right level of cover can more than justify the cost of insurance. During what can be a very difficult time, life insurance can reduce or remove the additional stress of meeting regular expenses such as the mortgage, utility bills and day-to-day essentials like groceries and fuel.

Therefore, it's cause for concern that only 23% of Australians aged 45 - 64 have an 'adequate' amount of life insurance[2], meaning they would have enough cover to meet their financial obligations and provide for their family if they couldn't work again.

So if that includes you, here's a quick refresher...

Life Insurance

Pays a lump sum upon the death of the insured, although some policies will pay a lump sum upon diagnosis of a terminal illness.

Total and Permanent Disability (TPD) Insurance

Pays a lump sum if you become totally and permanently disabled and can't return to work.

Trauma Insurance

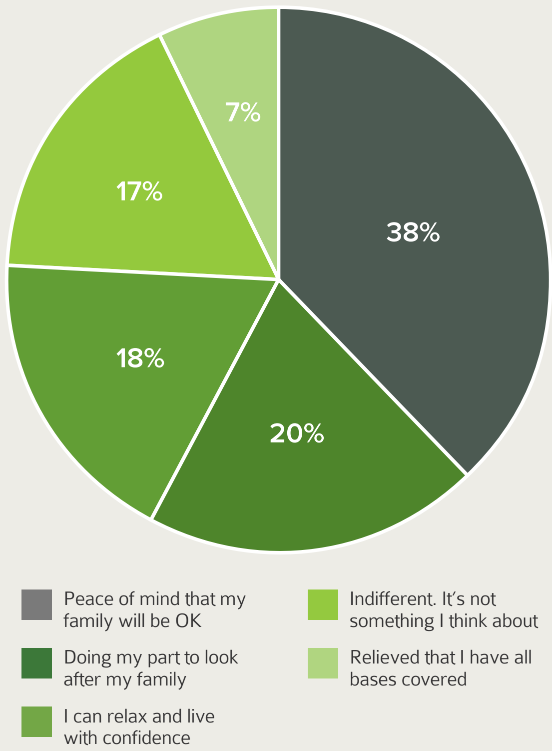
Also know as 'recovery' insurance, this pays a lump sum in the event of a traumatic injury or illness (including major illnesses such as cancer, heart attack or stroke).

Income Protection

Pays a portion (generally up to 75%) of your insured income if you are sick or injured and unable to work for a period of time.

There are similarities with the types of cover available but there are also important differences, so it's important to tailor insurance cover to your circumstances. This is where regular appointments with your financial planner come in, as they can help ensure your insurance cover keeps up with your changing lifestyle and goals, as well as let you know how product and pricing changes may affect you.

Attitudes to insurance survey



1. Suncorp Attitudes to Insurance, July 2014
2. Underinsurance: Disability Protection Gap in Australia, KPMG, January 2014

SUPERANNUATION INSIGHTS

Do you have lost super just waiting to be claimed?

There are more than 6 million super accounts waiting for an owner. Could one of them be yours?

If you dropped a wallet holding thousands of dollars, you wouldn't leave it lying in the street. So it's all the more surprising so many Australians neglect their lost super, when a simple online enquiry could unite them with thousands of dollars that are rightfully theirs.

In December 2014, there were more than six million super accounts worth almost $16 billion waiting to be claimed, an average of $2,648 each.[1] New South Wales led the country with the largest amount of lost super, more than $4.2 billion. But Queensland held the record for both the largest number of lost super accounts in a single postcode (6,442 in the tourism hotspot of Cairns, with a population of just 134,000 at the last census)[2] and the postcode with the highest amount of lost super ($58.9 million in Australia's sugar cane capital, Mackay).

Meanwhile, one West Australian resident had mislaid a single account worth a whopping $611,818.

Out of Australia's 14 million super owners, 45% have more than one super account at last count: from two all the way to a staggering 22 accounts.

Do you have lost super waiting?

If you've held multiple jobs, then it's only too possible that you're one of the millions of Australians with lost super, especially if you've done temporary or casual work. Out of Australia's 14 million super savers, 45% have two or more super accounts, with some having as many as a staggering 24 separate accounts.[1]

So no matter where you live or what you do, it makes sense to check for lost super. Here are four good reasons to make it a priority today.

1. It's your money

Every dollar of your super is money you've worked hard for – and money you'll be glad to have when the time comes to quit work. Recent research from Rice Warner suggests the average Australian is likely to face a $67,000 shortfall between their super savings and the amount they'll need for a comfortable retirement[2]. The good news is that a little extra now can make a big difference over time, provided you put it to work effectively.

2. You could earn better returns

Since 2012, any account with under $2,000 that has been inactive for more than 12 months is transferred to the ATO. While this money still earns interest, it's only calculated at the rate of the Consumer Price Index – a miserly 1.6% at the end of 2014[3] – just keeping you ahead of inflation.

By getting hold of your lost super and consolidating it, you can make sure you've got your money in the best investment option for your stage of life and investment style, increasing your chances of earning higher returns for the future.

3. You could avoid extra fees and charges

The more super accounts you have, the more you're likely to lose in fees and charges. You may also be paying insurance premiums with each super account, which can eat into your super savings unnecessarily. So consolidating your super accounts can make good financial sense.

Remember to do your homework before you consolidate and consider all of the features your different funds offer, including any existing insurance cover you might be giving up by leaving a fund.

4. It's super easy to do

It's never been easier to claim your lost super and to consolidate it into one fund. If you want to do it yourself, you can use the ATO's SuperSeeker tool (you'll just need your Tax File Number).

If you're pressed for time and you're a Colonial First State member, why not use our free Super Concierge service? We'll look for any lost super accounts you may have, them help you consolidate them all into one fund — helping you make the most of your super savings.

1. ATO Research and statistics — super accounts data overview, 2015
2. Australian Bureau of Statistics, 2011 Census Quickstats.
3. ATO Research and statistics — super accounts data overview, 2015
4. Rice Warner, Retirement Savings Gap Report, 2014.
5. Australian Bureau of Statistics 6401.0 - Consumer Price Index, Australia, 2014

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 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

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