



Newsletter

Autumn 2010

Welcome

Welcome to the Autumn issue of our newsletter and our first for the new decade.

Coming up within the next couple of months we are excited about the launch of our education series. We will be hosting seminars by some well known financial experts who will be sharing with you their knowledge. Some of the topics we will cover include Self Managed Superannuation Funds (SMSFs), Transition to Retirement, and Making Your Home Loan Tax Deductible. If you're interested in attending, please keep an eye out for our booking options which will be emailed to you shortly as seats will be limited.

Remember that the team are always here to assist you and any family or friends that you would like to refer to us.

Enjoy!

Kind regards,



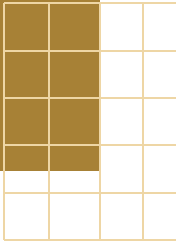
The Financial Spectrum team

In this issue...

- > Latest economic update. Australia seems poised to take advantage of the predicted economic boom in Asia. What do the experts think?
- > Debt recycling. Many people don't realise that their mortgage can actually help make them richer. We introduce you to the concept of debt recycling as a way to boost your investments.
- > Everyday tips to help you save money. You might not realise it but just a few small changes to your daily habits can add up to a sizeable difference to your wealth.
- > Identity theft is becoming all too common in Australia. We share with you some tips to help prevent becoming a statistic.



Economic Update



Leaving the global recession behind

Economists are tipping the end of the global recession with the latest World Economic Outlook released by the International Monetary Fund (IMF) predicting growth forecasts for 2010. In short, the global economy seems to be coming back to life after its near death experience in 2008. The IMF is forecasting that the world economy will grow by around 3.9% this year increasing to 4.3% in 2011. This is positive news after you consider that the global economy actually shrank 0.8% in 2009—the first contraction in the world economy since the Second World War!

The Asian Economies take their place

Emerging and developing nations are expected to lead the global economic growth in 2010 and 2011 with the IMF predicting that China's economy will grow by 10% this year and 9.7% in 2011. That's a whopping 19.7% in two years! India is expected to be closely on China's heels with predicted growth for 2010 and 2011 at 7.7% and 7.8% respectively.

Australia hops aboard the Asian growth train

With the huge amount of growth forecast for our Asian neighbours, what does this mean for the Australian economy? When you consider that over 80% of Australia's exports are to four Asian nations alone: Japan, China, South Korea and India, and with the predicted

strong demand for commodities such as iron ore and coal, this could all spell very good news for the Australian economy indeed. China's strong demand for energy and raw materials is positive news for Australia spelling the likely rise of our mineral and energy export prices this year.

The \$USD

In recent weeks the US Dollar has rebounded following anticipation of rising interest rates and glimmers of hope in US economic growth. Weakness in the USD in 2009 will boost US exports in 2010 and will likely give the US economy some much needed help.

RBA and interest rates

The Reserve Bank of Australia (RBA) lifted the cash rate to 3.75% in December following rate increases of 0.25% in both October and November. The RBA moved to increase interest rates after it became clear that the Australian economy had avoided recession in 2009. Economists are tipping rate rises in 2010 to 4.25% by the middle of the year. This will still leave mortgage rates slightly below their long-term average.



In an ever-changing and complex world, seeking professional advice can help guide you through the maze. We invite you to contact us to explore the opportunities available to you.

Call your adviser today on 02 8238 0888

Source: Commonwealth Research, Australian Economic Perspective, 12/2/2010

> Debt Recycling

How your mortgage could actually make you richer



Australia's love affair with property makes it seem as though half of Australia is saving for a deposit on a house whilst the other half are trying to pay off their mortgage!

If you have a mortgage though, there are some tax effective strategies that you might want to discuss with us that can help you pay down your mortgage faster, and even help to make you richer.

Debt Recycling

One strategy is debt recycling. This is where you don't just pay off your mortgage but you recycle the debt and use it as an investment tool. It means using the difference between the amount you owe on your mortgage and the value of your house to potentially reduce your mortgage at the same time as building a sizeable nest egg.

An example— Debt Recycling in action

Let's suppose you paid \$300,000 for your home four years ago and it's now worth \$450,000. This may allow you to borrow \$120,000 (80% of the increased value) as an investment loan and the interest would be fully tax deductible.

You could then invest the \$120,000 in an investment of your choice, perhaps a Managed Fund, or maybe another property. The choice is yours. At the end of the year, any extra equity you may have built up in your property could be borrowed and invested again.

The good part is that by using this strategy the non tax deductible mortgage ("bad debt") is slowly converted into a tax deductible investment debt ("good debt"). Your mortgage is reduced, while at the same time you're building an investment portfolio. In addition, the income from your investment gets paid into your non tax deductible mortgage which accelerates the rate at which the "bad debt" is paid off.

When your mortgage is paid off, you can then make the decision to either sell your investment and pay out the investment loan, or to keep the investment using all the income to reduce the investment loan, or even take a new investment loan against your home and increase your investment in another investment opportunity.

Like any geared strategy though, debt recycling can not only increase your gains, it can also increase your losses. This can happen if the interest cost is higher than the returns you generate from your investment. Obviously a longer investment time frame is required to reduce this risk.

Could Debt Recycling be the right thing for you?

Many people think they have to pay off their mortgage before they can spare enough money to invest. The problem with this idea is that if you do that, it might take so long that you won't have enough time left for your investment to grow and mature. Your best ally with investing is time.

Of course, debt recycling isn't suitable for everyone so be sure to speak to a Financial Spectrum financial adviser who can assist you in making a decision about whether debt recycling might be a good strategy for your personal situation.

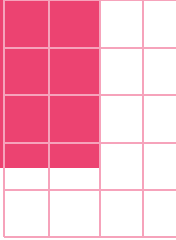


Debt recycling could help you build your investment portfolio. Financial Spectrum financial advisers are experts in debt recycling and can help you decide whether it might be the right strategy for your situation.

Call an adviser today on 02 8238 0888



> Money Saving Tips



Easy daily tips which could save you thousands

General Tips

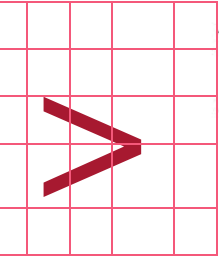
- ✓ Try to pay for items in cash. It might make you think twice before you break that \$50 note.
- ✓ Save for the future. Take 10% of your gross income each pay day and set it aside in a savings account.
- ✓ Piggy bank! Every time you get home put any coins you have in your pocket or purse into a jar.
- ✓ Is your credit card offering you the best deal? Go to sites like www.infochoice.com.au to compare.
- ✓ Avoid late fees and penalties by setting up direct debits on your bills.
- ✓ Where you can, use a shopping basket instead of a trolley. You won't be tempted to buy lots of items you don't need.

In the Home

- ✓ Use VOIP or your mobile phone instead of paying for home line rental.
- ✓ Reduce your meat intake. Meat is extremely expensive and is also costly on the environment. Try to "beef up" meat recipes with cheap but very healthy legumes such as kidney beans.
- ✓ Make sure your fridge is running efficiently and the seals are in good condition.
- ✓ Finish your dishwasher cycle before the drying cycle and leave the door open to dry dishes.
- ✓ Is it a sunny day? Use clotheslines and drying racks instead of the dryer.

Entertainment and Lifestyle

- ✓ Instead of going to the cinema, stay home and hire a DVD. If you still want to go to the cinema, try going on a less popular day to take advantage of cheaper deals or buy a book of tickets in advance as it is much cheaper.
- ✓ Skip dining out or getting takeaway. Cook at home instead.
- ✓ Bring your lunch to work, don't buy it! If you spend \$15 a day for 48 weeks a year this is a saving of \$3600! That's some expensive lunch!
- ✓ Remove any unnecessary items from the boot or back seat of your car. These all add weight and can dramatically reduce the fuel efficiency of your car.
- ✓ Buy birthday and Christmas presents early. Keep your eyes peeled during sales periods for a bargain.



Identity Theft

How to protect your personal information from identity thieves

Identity theft is a growing problem in Australia. Recent research conducted in 2009 showed that whilst most Australians are worried about the risks of identity theft, an alarming 75% of us throw out enough personal information such as credit card statements in our rubbish and recycling to put us at risk of identity theft,

What is identity theft?

Identity theft is a type of fraud where someone obtains enough personal information to enable them to pretend to be another person. This can range from somebody using your credit card details illegally, to having your identity assumed by someone else who can open bank accounts, take out loans, and conduct criminal activities using your identity.

How can it happen?

With just a little bit of digging, there is a wealth of personal information available. Many of us lose our wallets at some point in our life. Should these fall into the wrong hands information such as your date of birth, your address, and your photograph give people a solid starting point to assume your identity. Another common way is for fraudsters to steal mail from your letter box or to rummage through rubbish tips to find documents which have been thrown out containing personal information.

Along with these "cruder" methods of information theft, many would-be identity thieves are turning to the internet where there is a wealth of information available. Of particular concern are social networking websites such as Facebook. Many people on Facebook unknowingly share their private information by making their profile public. Fraudsters are able to obtain information such as a date of birth, location, email address, telephone number, and even be able to link individuals by checking their friends list or any tagged relationships between people.

Another common way to steal information is to trick people into providing it through scam emails (known as phishing) or by pretending to be a representative of an institution such as your bank and asking you to confirm your details.

Important Information: This document has been prepared by Financial Spectrum Pty Ltd (ABN: 57 134 661 706) as is current as of February 2010 but may change without notice.

The information contained in this newsletter is of a general nature and does not take into account your personal needs and financial circumstances. Before making any decisions based on the advice contained in this booklet you should consider whether it is appropriate for your circumstances.

How can I prevent being the victim of identity theft?

- ✓ Always be vigilant. Never give personal details to people you don't know and trust.
- ✓ Check your bank and/or credit card statements every month for suspicious transactions. If you find anything suspect call your bank immediately.
- ✓ Always shred any documents that contain personal information such as bank statements. Better still, opt in for electronic statements directly to your email address.
- ✓ If you receive a phone call from an institution, don't give them your personal details. Ask for their name and a contact phone number and ring the institution directly using a number that appears on your statement to confirm the authenticity of the call.
- ✓ Never provide your personal details in an email or on a website linked from an email you have received no matter how genuine the email and/or website looks.
- ✓ Regularly check your credit rating. For a fee you can subscribe to a service such as that offered by My Veda which will alert you to any changes on your credit file.
- ✓ If you or your family use social networking websites, change your privacy settings so that only your friends can see your personal information. You may also like to consider using a bogus surname and/or year of birth.

For more information visit these websites:

- > www.stopidtheft.com.au
- > www.scamwatch.gov.au

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