MyLife

MyLife Newsletter Spring 2013

Within this month's update, we share with you a snapshot of economic occurrences nationally and from around the globe. We hope you find this month's economic update as informative as always.

Economic Update - September 2013

The Big Picture

It seems to be that Australians have changed their spending habits much more than, say, in the USA. On an inflation-adjusted per capita basis, our 'other personal loans' data – such as credit card balances – is down by 30% from the 2008 high. Debt reduction is the 'new black'. Household savings ratios are back to where they were before the floating of the dollar in 1983 and have been more stable in the last five years than in any previous five-year period on record. This may result in pent-up demand ready to spend again – but hopefully more responsibly than before the GFC! A clear path from the new government could be the catalyst for a return to 'normal' behaviour and a brighter future!

The Syrian conflict is worrying from a humane perspective but also on possible impacts, if the USA and France decide to intervene. Apart from a spike in oil prices, major economic issues could arise if other Middle Eastern countries get involved. Clearly the situation is unpredictable which explains why the British Parliament opted out of joining with the USA, and the US Congress was not recalled to discuss the possible solutions.

September is the month for which we were primed to expect tapering of US stimulus to commence. After three months of hype, the US data just got a bit softer so that it is now possible that the start of tapering might be delayed and start later in the year. A decision is imminent following the September FMOC – akin to our RBA board meetings. US unemployment did fall to 7.4% in the release at the beginning of September but some of that 'improvement' is thought to be a result of a discouraged worker effect. Second quarter GDP growth was revised upwards from 1.7% to a healthy, but not strong, 2.5%.

China has been saving the day, again. On August 1st, the PMI (Purchasing Managers Index) for manufacturing came in at 50.3, when a sub-50 read was expected. Then the mid-month preliminary read also beat 50 – at 50.1 – when only 48.2 was expected – to be the best number in four months, which fuelled a further recovery in resource stocks. The next number came out today at 51.0 – again beating the market! And it is not just the PMI that has strengthened. Both China imports and exports markedly improved – so much so that July set a new record for iron ore imports! With iron ore prices so much higher than the experts were predicting at the beginning of the year, there is clearly no end to the China boom but some expansions of mining capabilities have been curtailed.

At home, the RBA cut rates yet again in August to a record low of 2.5%. Too bad if you are a saver or don't have a mortgage (and that's about 2/3 of us!). Consumer confidence did pick up this month. We still argue that this is a result of the election and not rate cuts. Capex (capital expenditure) data came in very strongly with expectations for 2013/14 being revised upwards. No more rate cuts are anticipated for at least a couple of months.

The reporting season for Australian stocks is just about over. The bar was set low and so many companies came in above expectations – but even so the results were a bit soft. A good proportion of companies improved dividends but the impact of those that suspended dividends for the moment resulted in a fall for the ASX 200 index. The impact of the broker revisions to their forecasts of dividends and earnings on our forecast models has resulted in our 12-month forecast for capital gains on the index has slipped 1% point to 10.4%.

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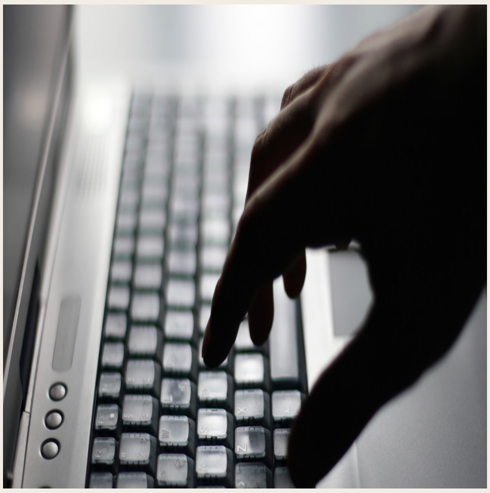
Fraud Prevention



At Infocus Money Management, our clients are at the centre of everything we do. It is crucial to protect yourself and your family from scams. Scams can cost people a lot of money and cause a great deal of distress.

Most scams need you to do something before they can work. You may be required to send money to someone based on a promise that turns out to be false. You may need to give your personal details to people who turn out to be scammers. Some scams rely on you agreeing to deals without getting advice first or buying a product without checking it out properly. By following the simple tips we have outlined, you can help protect yourself against scams.

Identity theft

Identity theft is when thieves steal someone's personal and financial information (such as a drivers licence or passport) and use it illegally to open accounts in their name. They can get this information several ways, most commonly:

- Online, through breaking into computer databases or setting up fake emails and websites.
- Offline, by stealing mail, so be sure to lock your letterbox or divert mail to a PO Box address.

Sending an email that looks like it comes from your bank, financial institution or telecommunications provider is known as a phishing scam. These emails are all about tricking you into handing over your personal and banking details to scammers. Most work by including special links in the email to take you to a combination of genuine and fake websites.

Superannuation scams

These scams offer to give you early access to your superannuation (early release), often through a self-managed super fund and/or for a fee. You cannot legally gain access to the 'preserved' part of your super until you reach your 'preservation' age (ranging from 55 to 60 years of age, depending on when you were born). There are certain exceptions, such as severe financial hardship or compassionate grounds, but anybody who otherwise offers you early access to your super may be acting illegally.

If you do access your super early for an illegal reason, you may be subject to legal action and heavy penalties (including tax). These types of offers may come from someone posing as a Financial Adviser. They promise you early access to your superannuation benefits quickly and easily.

The scammers make their money by deceiving your superannuation fund into paying out these benefits directly to the Financial Adviser in cash. They may ask you to agree to a story to secure the early release of your money. Once the scammer has your money, they may disappear and leave you with nothing, or take very large fees before forwarding the remainder of the super benefit to you.

Sending or transferring money

- Never send money to anyone you are not totally sure about;
- Do not send any money or pay any fee to claim a prize or lottery winnings;
- Money laundering is a criminal offence: do not agree to transfer money for someone else;
- Make sure that cheques have been cleared by your bank before transferring or wiring any refunds or overpayments back to the sender; and
- Do not pass on chain letters or take part in pyramid schemes: you could lose your money and possibly lose your friends.

How to protect yourself

- Only give out your personal details and information where it is absolutely necessary and where you have initiated the contact and trust the other party;
- Treat your personal details as you would treat money: don't leave them lying around for others to take;

If you have any feedback or would like to discuss any aspect of this report, please feel free to call our office on 03 9017 4114 or email admin@mylife.com.au.

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MyLife Financial Planning

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Earning A High Income Won't Automatically Make You Wealthy

When you earn enough money to pay for everything you need there's no reason to save regularly, right? Wrong. There's far more to becoming wealthy than earning a high income as suggested in the well-known proverb 'The art is not in making money, but in keeping it'.

High income earners can make the worst savers

It's an unfortunate fact of life nowadays that the more you earn, the more you tend to spend. Today, there is so much pressure to spend money on the latest gadgets, prestigious fashion labels and having a picture postcard home. We're living in a spending culture where the next best thing is always just around the corner.

When you earn a higher than average income it's easy to justify upgrading your lifestyle here and treating yourself a little bit there. After all, you've worked hard to earn that income and you want to get some enjoyment out of it.

And even if you don't think of yourself as the type of person who is careless with their money, there may be other factors at work. Behavioural scientists have shown that it's human nature to seek instant gratification. We're much more likely to do something that makes us feel good now, like spoiling our loved ones with lavish gifts, than doing something that's better for us in the long term, like saving some of our money.

You reap what you sow

You may be able afford a high standard of living now but could this lifestyle be maintained if you stopped working?
To get the full benefit of your income you need to cap your spending and get into the habit of putting away part of what you earn every week or month. This way your money can start working for you.

There are many benefits of having spare cash around:

- You will have money set aside for any small emergencies so you don't have to worry about how you will cope if something goes wrong
- You will be able buy things with cash rather than credit cards. Many retailers offer discounts for paying with cash. And you'll be saving money because you won't be paying interest on credit card purchases.
- Importantly you will have spare money for investing which will help you grow and protect your wealth over the long term.

The more you save, the more you will earn

Regular investing also gives you the chance to boost your savings by taking advantage of compound interest. Compounding, or earning interest on your interest can make a significant difference to the value of your savings or investments over time. The longer you save, the greater the effect of compounding.

Let's look at a simple example that shows the power of compound interest. Say you had savings of $20,000 and each month you put away $500. In just 10 years that $20,000 would have grown to $110,074, assuming the interest rate on your bank account was 5%. Of that, $30,074 would be the compound interest that you've earned along the way.

Spend wisely and enjoy the benefits of saving

Starting a savings plan is one of the simplest and easiest ways to save money. Your savings are kept in a separate account to your everyday spending account, so you won't be able to spend this money as part of your weekly expenses. It will also attract a higher rate of interest, which if left to accrue in the account, will help you get your goal of wealth creation underway.

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