keeping an eye on finance

focus

Issue: Spring 2009

Welcome to Focus

Welcome to the third edition of Focus this year. In this edition we pose the question, 'Can you afford to retire?' You might be surprised at how much you will need for even a modest retirement. And continuing on the retirement theme we look at how to be happy in retirement. We also take the time to put investment returns into perspective, plus a couple of hints on spring cleaning your finances.

As always, if you would like more information on any of the topics in this newsletter, or any other investment advice, please feel free to contact our experienced and professional advisers.

Can you afford to retire?

Funding your retirement lifestyle

How much do you really need to retire? If you're nearing retirement it might be a question you're reticent to ask, fearful that the answer may exceed your projected savings. Nonetheless, it's probably one of the most important questions you need to address in planning for you future and one that we all need to face sooner rather than later.

Having enough money to support a comfortable lifestyle will depend on a wide range of factors such as the length of your retirement, your accumulated assets and liabilities, your expectations and external factors such as investment market volatility, tax and inflation. While ensuring adequate income in retirement requires careful forward thinking,

	Modest lifestyle		Comfortable lifestyle	
	SINGLE	COUPLE	SINGLE	COUPLE
Housing – ongoing only	$67.71	$70.04	$89.96	$92.27
Energy	$12.44	$14.82	$13.61	$15.99
Food	$67.03	$141.07	$132.96	$187.44
Clothing	$14.72	$25.39	$31.08	$56.69
Household goods and services	$49.45	$52.37	$87.89	$92.98
Health	$12.68	$23.89	$53.40	$105.01
Transport	$77.28	$78.13	$117.93	$118.79
Leisure	$44.53	$73.73	$142.46	$204.54
Personal care	$26.18	$41.25	$26.18	$41.25
Gifts and/or alcohol and tobacco			$22.79	$45.57
Total per week	**$372.03**	**$520.70**	**$718.26**	**$960.54**
Total per year	**$19,399**	**$27,151**	**$37,452**	**$50,086**

Source: The Association of Superannuation Funds of Australia Limited, 24 September 2008

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Words of wisdom

"The greatest discovery of my generation is that a human being can alter his life by altering his attitudes of mind."

~ William James (1842–1910)

Australian National Consulting Pty Ltd

ACN: 072 563 574
Level 2, 470 St Kilda Road
Melbourne VIC 3004
Ph: 1300 880 789
Fax: 03 9821 4137
www.ancadvisers.com.au

AUSTRALIAN NATIONAL CONSULTING

Can you afford to retire? (continued)

it's never too late to improve your circumstances through effective financial planning.

The Investment and Financial Services Association (IFSA) estimates that most people need approximately 65 percent of their pre-retirement income to maintain their current lifestyle in retirement. In other words, if you earn $60,000 a year while you're working, it's estimated that you would need approximately $39,000 a year to maintain your current lifestyle in retirement. Alternatively, the Association of Superannuation Funds of Australia annually publishes the following data which determines income requirements for modest and more comfortable lifestyles.

Of course we are all different and our personal circumstances are unique so requirements will vary widely from person to person. Factors, such as the increase in life expectancy mean we all need to fund our retirement for longer than previous generations. Current life expectancies for Australian males is 84 years and 88 years if you're female. So, if you're planning to retire at 65, your retirement savings will need to last you around 20 years for males and even longer for women. If you are nearing retirement the following table will assist you in determining how long your retirement saving will need to last.

Life expectancies	Current age	Years life expectancy	Your age if you reached this life expectancy
Women	**55**	29.9	84.9
	60	25.4	85.4
	65	21.2	86.2
Men	**55**	25.9	80.9
	60	21.7	81.7
	65	17.7	82.7

Source: Australian Government Actuary, 2000-02 Australian Life Tables

It is important not to ignore your retirement planning. Regardless of your age or how near to retirement you are, you should talk to us about your options and work out a strategy to best meet your future financial needs.

There are a range of options open to help boost your super and retirement income and we will help you understand what your choices are and assist you in making an informed decision about your future.

Getting your finances into shape

As the warm weather approaches and people begin to focus on their health, it is important to look at your household's financial health.

According to the Australian Bureau of Statistics, debt owed by Australian households has risen over the last 18 years by almost six-fold.* So when you are assessing the financial health of your household consider some of the following tips.

Review your cash flow

Looking at your own income and expenses is the first step in budgeting and it will allow you to really see whether you are in significant debt or are managing ok.

Take control of your debt

Getting debt under control in the current climate needs to be a priority. Top tips to do this are:

- Continue to keep your repayments at the same level
- Try to get ahead on your repayments so you have a bit of a buffer
- Be realistic about the time it will take you to pay off your mortgage
- Work out a plan to get rid of non-productive debt as ongoing credit card debt will really eat into any surplus funds you have.

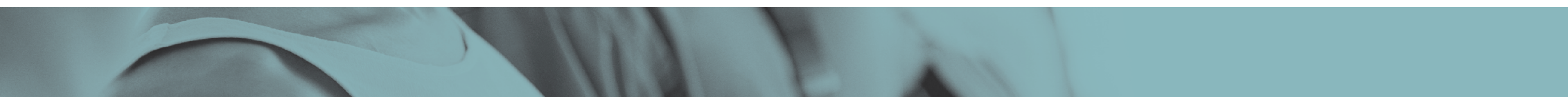
Protect your assets

Many Australians are happy to insure assets like their home and contents and even car but what many are unprepared to do is insure their livelihood. Only 14% of Australians have a life insurance policy in place. Sadly, the only life insurance cover many Australians have is through their superannuation fund.

Key tips for managing your money

- It's never too late to start saving. Small regular amounts will increase your total savings over the longer term.
- Determine what you would like to achieve over the coming months and focus on your goals.
- If in doubt, always seek professional advice from a financial adviser.

* Australian Bureau of Statistics, Australian Social Trends 4102.0, 2009



Putting investment returns in perspective

There is a very high probability that we may run out of adjectives to describe the events that transpired during the 2008-09 financial year and its impact on global investment markets. Needless to say, it is a 12 month period that will remain remarkable in the minds of even the most seasoned investors.

The unprecedented economic and financial market events of the past financial year have thrown many challenges to all. Fear gripped world markets to such an extent that some commentators were debating earlier in the year whether we were about to enter the second Great Depression.

As it turns out and with the benefit of hindsight, since March 2009, the domestic and global market has rallied strongly. The economic outlook is better than what it was a few months ago, both on the global front and domestically. The domestic economy, whilst it has slowed sharply, has remained remarkably resilient when compared to other industrialised economies. Many commentators have put this down in part to our links with the Chinese economy which has also performed relatively well, the aggressive government fiscal stimulus packages and the Reserve Bank interest rate cuts. Interestingly, comments by the Reserve Bank suggest that further cuts to the official cash rate may now be over, and that a rate hike is now not out of the question sometime in early 2010. So, it is fair to say we are not out of the woods just yet.

Volatile markets are characterised by wide price fluctuations and heavy trading. They often result from an imbalance of trade orders in one direction (for example, all buys and no sells). The key message here is that volatility moves both up and down over the short term. Markets don't simply move in one direction. In these volatile times, it is worthwhile reflecting on a few fundamental principles about managing risk and volatility.

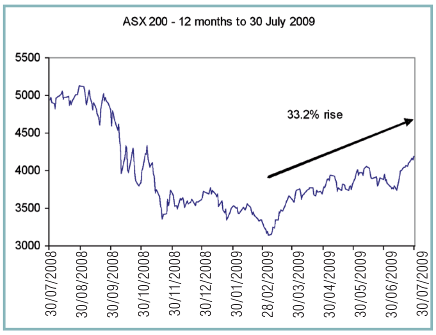
Diversification has proven once again to be at the top of the list. By holding investments with values which move in opposite directions, the performance of the total portfolio will be less volatile. The best example of this is the performance of Australian equities and Australian bonds over the last financial year. Despite the significant underperformance of Australian equities last year, government bonds managed to post an impressive double digit positive return.

Second on the list is the inevitable trade-off with investing, that of risk and return. Investors that are too aggressive, face the potential risk of losing a large amount of their life savings that they may never recover in their investing lifetime. On the other hand, investors are too risk averse may not build sufficient capital growth required at some stage to generate an income stream in their retirement. In essence, risk is an individual thing and more time should be spent on understanding the inevitable trade-offs.

Third on the list is the importance of taking a longer term view. The thing to realise is that market volatility is inevitable. It's the nature of markets to move up and down over the short term. Trying to time the market over the short term is extremely difficult. For many investors this is a solid strategy, but even long-term investors should know about volatile markets and the steps that can help them weather this.

The fourth strategy to manage volatility is 'dollar cost averaging'. This strategy aims to invest fixed amounts of money into the markets at regular intervals, regardless of market conditions. Given it is difficult to predict the future, averaging into the market reduces the risk of investing at the top of the cycle. Followed strictly, this strategy helps remove emotional decisions, making it easier to stick to a long term investment plan.

The Australian equity market has shown good signs of recovery, with the All Ordinaries Index retracing 50% as at 30 September 2009 from its low in March 2009. But as always, diversification remains the key.



Source: Aviva Research

How to be happy in retirement

The retirement years can throw up many life challenges. For some people, being retired can be the happiest time of their life with many responsibilities coming to an end and being able to do their own thing. For others, however, retirement can be a time of great financial and emotional burden. It is as if all meaningful life has ended, and boredom has become entrenched.

What do happy people do in retirement that unhappy people do not?

Purposeful activities

- Involve yourself in more than five hours of purposeful activities per week
- Activities should involve:
  - the production of something
  - the provision of services
  - self development

Plan and commence some activities before retirement, such as voluntary work, part-time work, hobbies, crafts, education etc.

Emotional support

- Know that you have someone to turn to in times of crisis:
  - important to your well-being
  - reduces levels of anxiety

Be aware of other resources that are available such as health-related issues, carer situations etc.

Active curiosity

- Talk to other retirees whose personality, outlook and interests are similar to yours
- Conduct your own research on retirement issues from books, magazines, internet.

Relationships

- Work on your communication with your partner
- Learn to be assertive

- Understand what your partner may be experiencing
- 'Cross skill' for the future, in the event you are left on your own

Proactive health maintenance

- Finding enjoyable methods of exercise
- Monitor food and alcohol intake
- Have a medical check-up annually

Action planning

- Plan for financial security during your wealth creation years
- Seek advice regarding budgeting once retired
- Plan for lifestyle (eg. Purposeful activities, housing, trips away etc)

Financial independence

- Seek advice from a qualified Financial Planner well before retirement
- Seek advice to budget and maintain income after retiring

Source: "The Beginner's Guide to Retirement", Michael Longhurst, published 2000

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Disclaimer: The information contained in this article is of a general nature only. It does not take into account your particular objectives, financial situation or needs. Before making an investment decision, you need to consider, with or without the assistance of a financial adviser, whether the information is appropriate for your particular needs, objectives and financial circumstances.