



expert.

a newsletter from Investment & Planning Services

issue 07

What's Happening With My Super Balance?

The Wrap

Welcome to the seventh issue of **expert**. Christmas is upon us and most of you will be wrapping up for 2008 ready to take some long awaited and well deserved time off.

Now's the time to take a quick look at what's ahead for 2009 and although we haven't had much luck over the last few months with investment markets around the world experiencing a significant downturn, things are looking up.

In this issue of expert we shed some light on what a bear market is and how facing a bear market is simply a natural part of the investment cycle. We explore the option of investing in a balanced fund for those experiencing the market blues and share some insight into how to stay focused when times are tough.

On a lighter note, we share the good news on interest rates heading south, bringing much needed relief for some borrowers while residential property prices are expected to gradually recover in 2009. We also congratulate Paul Wright for being awarded the prestigious honour of Individual Growth Volume NSW/ACT 2007/2008 Champion at the recent 2008 Choice Aggregation Services Annual Conference.

We hope you enjoy this issue of IPS **expert**. Have a wonderful festive season and we look forward to assisting you in meeting your financial objectives for the New Year.

Paul Plummer
CEO

In the last year, investment markets around the world have experienced a significant downturn. And because super is invested in the world's investment markets, the performance of almost every fund - and almost everyone's super balance - has been affected.

While seeing a negative return for the year is upsetting, it's important to remember that it's normal for markets to move up and down. All long-term investments will experience poor or negative returns at some stage.

Reacting to short-term market volatility - such as by moving to cash when the

sharemarket is down - is generally a wealth destroying move. This is because very often after a 'market correction' (a term for when the market falls by 10%) there's a rebound.

While it's natural to feel unsettled when you see your annual statement showing a negative return for the year, MLC's investment process has been designed to perform across a wide range of market conditions and to secure consistent and sustainable returns over the long term.

MLC has just launched a new website as part of its reassurance campaign called 'Market Watch'. The aim of the site is to keep you up to date with all the latest news and developments, and we urge you to take a look. The site can be accessed from the IPS home page. Just go to www.investmentandplanning.com.au and click on the 'Market Watch' logo.

Market Watch At MLC, we're confident that over time the good returns will return.



Index

The Wrap	pg 1	Residential Property Markets to Revive in 2009	pg 3
What's Happening With My Super Balance?	pg 1	Interest Rates Heading South	pg 3
Mailbox	pg 2	Award Win for Paul Wright	pg 3
A Question of Balance	pg 2	Why Warren Buffett is Buying American	pg 4
Bear Markets - what are they?	pg 2	Christmas Wishes	pg 4

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Convoy Success

IPS would like to congratulate the i98FM team for their huge efforts in this year's truck convoy. 'Marty and Erica's Camp Quality Convoy for Kids'. Now in its fourth year and held on 16th November, this years convoy smashed all expectations raising a staggering \$284,000, almost doubling last years tally. All funds raised go directly to Camp Quality Illawarra that works to brighten the lives of kids with cancer and their families by bringing hope and happiness. i98FM organizers are already preparing for Marty and Erica's Camp Quality Convoy 2009! All the best of luck guys and keep up the extraordinary work.

Passing with Flying Colours!

In Issue 04 we mentioned that Ashley McSweyn, our Para-Planner, set off on a journey around Europe for her 21st birthday. She is finally back to reality and back at Uni. Ashley is currently studying a Bachelor of Commerce majoring in Financial Planning, at Wollongong University, and has just finished and passed all three exams. She can now sit back and relax over Christmas and enjoy the hard earned break. Next year Ashley has only three subjects left before completing her degree. Congratulations and best of luck!

A Question of Balance

Investors have certainly had a bumpy ride lately and those in the pension phase, as well as those planning on retiring in the next few years, are probably the most concerned about the safety of their retirement nest egg. A balanced approach may just be the remedy for any market blues?

Pension investors have less time to wait for the market to stabilise, and less or no opportunity to re-contribute to the fund. It's understandable then, that many may be concerned about whether the recent volatility may impact their goal of funding a comfortable, secure retirement.

Investors wishing to achieve capital growth over the medium to long term and willing to accept short-term market fluctuations may

consider investing in a balanced fund.

Balanced funds are diversified across a range of asset classes which may reduce the impact of downward fluctuations in any one asset class over the short term, yet still capture the benefits of potentially higher returns from growth assets like shares over the long term.

What this means for the investor is there is the potential for capital growth over the long-term which may help their nest egg keep pace with inflation.

If retirement is sooner rather than later for you, it's well worth speaking with your adviser to make sure your investment strategy is set up to help manage the effects of volatility.

Bear Markets - what are they?

With all the media talk about bear markets, we thought it was an opportune time to explain to what people are referring.

Share markets that demonstrate an upward trend are often termed 'bull markets'. The origin of the term 'bull market' possibly originates from the propensity of bulls to thrust their horns upwards. Conversely, a 'bear market' is one that has a downward trend, possibly so called because bears slash downwards with their claws.

Bear markets are generally caused by economic events (usually economic recessions) or excessive valuations. An economic slowdown or recession tends to significantly depress profitability in companies.

But this only partially explains the fall in value. You may well ask why a long-term holder of a share - that will pay dividends for many years - would be overly concerned about short-term problems that last a year or two at the most. This is where the 'emotional side' of investing comes in. We all know that the basic factors that



determine the price of anything are supply and demand. So, if investors expect that a share will decline in price, this will decrease demand and increase supply for the share, actually lowering the price. In other words, expectations can be self-realising.

Facing a bear market is simply a natural part of the investment cycle. History shows that on average we experience a bear market every six or seven years. However it can be a great time to take advantage of deflated prices in order to further diversify your portfolio. If you'd like more advice give us a call at IPS. We can provide you with some strategies to help you fend off the bear.



Paul Wright,
Director
IPS Home Loans



Residential Property Markets to Revive in 2009

Leading economic forecaster and industry analyst, BIS Shrapnel expects that residential property prices will rise over the course of 2009, following a weak performance in 2008.

BIS Shrapnel believes the global credit crunch will actually support Australian residential property prices in 2009, as financing constraints are reducing the pipeline of new rental developments.

National starts of new medium and high density dwellings are forecast to plunge by 18 per cent in 2008/09 and, as supply

declines, the rental markets in all cities will tighten further, which will support property prices.

BIS Shrapnel also forecasts further turbulence in property markets as unemployment rises. The national unemployment rate is expected to rise to six per cent by the end of 2009 and employment growth is expected to be very low.

"There may be unfortunate home owners who lose their jobs and may need to sell their properties, but at the moment there

are many renters who will be seeking to buy," he says. "Interest rate cuts and the increase in the First Home Owners Grant are providing motivation for these people to buy before the end of 2008/09, and this outcome will support growth in property prices."

Overall, residential property prices are expected to gradually recover in 2009, with growth of between zero and three per cent across the capital cities of Australia as the market strengthens in the second half of the calendar year.

Interest Rates Heading South

At last there is some relief for borrowers - after seven long years the Reserve Bank of Australia has finally begun to cut rates.

In October the cash rate was reduced by 1% and another 0.75% cut followed in November with the majority of both of these cuts passed on to borrowers.

Most lenders have passed on around



1.5% in the last three months - which equals around \$300 per month on a \$250,000 loan. The question is what's the best way to use this extra cash?

You could consider leaving your repayments at their current level - effectively paying off a little bit more of your loan each month. Remember, every dollar saved on your mortgage reduces the interest payable in the long run.

With mortgage rates now easing, the timing may also be ideal to consider property investment. Give me a call on 4227 5511 and I am more than happy to buy you a coffee and we can devise a strategy that best suits you and your family's needs.



Award Win for Paul Wright

An Awards Night was held at the Choice Aggregation Services Annual Conference at the Hilton Hotel in Sydney on 29 - 31 October.

Paul Wright was awarded the prestigious honour of **Individual Growth Volume NSW/ACT 2007/2008 Champion.**

Paul won the award ahead of approximately 450 active NSW/ACT

members and is an excellent recognition for the work Paul does for all of his IPS clients.

"It's a great honour to achieve such an award. We pride ourselves on quality customer service and this award is a direct correlation to what we know to be customer satisfaction, something we are at IPS are extremely proud of," said Paul Wright.

Why Warren Buffett is Buying American

Warren Buffett, Chief Executive of Berkshire Hathaway, a diversified holding company, wrote an article for the New York Times on 16 October 2008, where he admitted he couldn't predict the short-term movements of the stock market. But this is not stopping him buying more and more stocks. Here are some extracts from his article.

A simple rule dictates my buying: Be fearful when others are greedy, and be greedy when others are fearful. And most certainly, fear is now widespread, gripping even seasoned investors. To be sure, investors are right to be wary of highly leveraged entities or businesses in weak competitive positions. But fears regarding the long-term prosperity of the nation's many sound companies make no sense. These businesses will indeed suffer earnings hiccups, as they always have. But most major companies will be

setting new profit records 5, 10 and 20 years from now.

Let me be clear on one point: I can't predict the short-term movements of the stock market. What is likely, however, is that the market will move higher, perhaps substantially so, well before either sentiment or the economy turns up. So if you wait for the robins, spring will be over.

Equities will almost certainly outperform cash over the next decade, probably by

a substantial degree. Those investors who cling now to cash are betting they can efficiently time their move away from it later.

I don't like to opine on the stock market, nevertheless, I'll follow the lead of a restaurant that opened in an empty bank building and then advertised: "Put your mouth where your money was." Today my money and my mouth both say equities.



Christmas Wishes From The Team at IPS

We would like to take this opportunity to thank you for your ongoing support over the past 12 months.

The past year has been an interesting one, to say the least, but things are on the way up and we look forward to new beginnings in 2009.

All of us at IPS wish you and your family a safe, happy and peaceful Festive Season followed by a prosperous and joyful New Year.

As we too are looking forward to spending time with family and friends, the IPS office will be closed from Thursday, 18 December 2008 and will re-open on Monday, 5 January 2009.

For all Home Loan matters during this period, please call Paul Wright on 0410 517 017. If you have an urgent Financial Planning matter that requires immediate attention, please call Paul Plummer on 0412 591 536.



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