

APRIL 2011

Lifestyle Matters

www.lifestyle.au.com

Lifestyle Financial Services Pty Ltd
Authorised Representative of
Sentry Financial Planning Pty Ltd
ABN 74 099 029 526
Australian Financial Services Licence No 247105

Lifestyle 

Suite 9 Level 10, 809 Pacific Highway
PO Box 5245 Chatswood West NSW 1515
t 02 9410 6000 f 02 9410 0010 invest@lifestyle.au.com



Australian Economy in Good Heath

Do I Need a Will?
New Grandparents

...the Australian Economy and Corporate Australia are well placed for the future...

Corporate Australia in Good Health

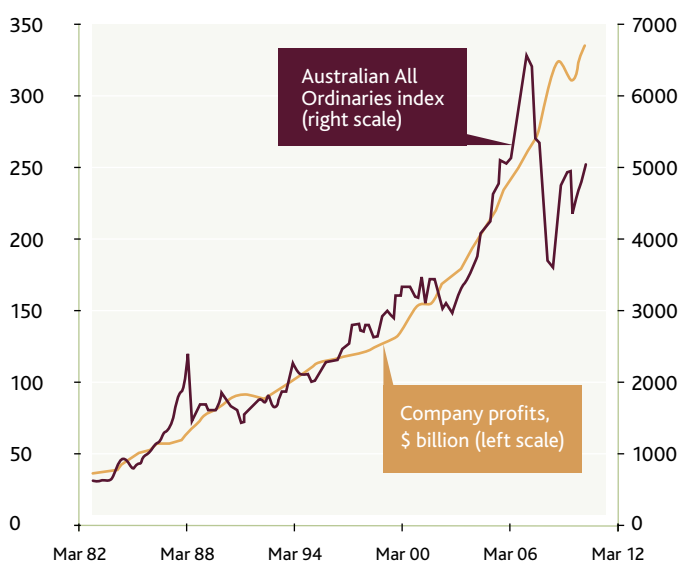
After spending much of the last month attending Economists' Briefings, visiting fund managers and reading reports, we, at Lifestyle, feel that corporate Australia is looking to be in pretty good shape.

In a recent panel session we attended that included 5 of Australia's best known economists, all agreed that the Australian Economy and Corporate Australia was well placed for the future.

In relation to our economy, the economists predicted:

- Economic Growth to be in the range of 3% to 4% pa.
- The Australian Dollar (to \$US) to be in the range of 90c to \$1.10.
- Interest rates to rise towards the end of the year.
- Unemployment to remain low at around 5%.
- All predicted the sharemarket to be higher than where it is now.

Profits and shares



Source: ABS, CommSec

With the recent half yearly reporting season now over, for many investment professionals, Australian Companies are looking **too** healthy and familiar expressions such as “lazy balance sheets”, “M&A activity” and “capital returns to shareholders” are starting to return to the columns of the mass financial press. Some of the interesting facts to emerge from the reporting season include:

- Corporate earnings grew by 23% (with resource stocks contributing almost three quarters of this).
- Corporate earnings are tipped to grow by 19% in 2011 and 16% in 2012.
- Price Earnings Ratios for the ASX200 are around 12.5, compared to long term averages of 15 but this could be distorted by the low PE ratios on resource companies – notably BHP and Rio Tinto.
- 78% of companies increased dividends from a year ago. Overall, dividends increased by around 5%.
- Average gearing levels in Australian companies have fallen from 60 to 40% indicating that companies are choosing to pay off debt with increased earnings rather than return all profits to shareholders.

Resource companies are particularly interesting in that they are awash with cash. By the end of June they will be cash positive. Consider that Rio almost collapsed under a mountain of debt during the GFC. At their current rate of earnings they now have relatively small levels of debt and are now actually returning capital to shareholders.

Where to next?

While most finance professionals are predicting strong medium term gains on the Australian sharemarket, expect ongoing volatility as investors fret over the impacts of domestic factors (such as rising interest rates) and offshore factors (such as the sustainability of growth in and around developing countries).

Do I Need a Will?

This is one of the most common questions we get asked by new clients. Like many seemingly simple questions, the answer can be complex. This is why we look at the need for a will in the context of holistic Estate Planning.

Estate Planning is the process of organising what will happen, should an unfortunate event occur, such as an individual passing away or becoming mentally unable to look after him or herself.

What immediately comes to mind is how a person's wealth will be distributed in the event of their passing. What gets less attention is how a person's affairs will be handled should they lose their mental capacity to look after themselves.

In the following, we take a look at some of the areas that should be addressed as part of the Estate Planning process.

The Will:

This is a legal document that states all the wishes of the person in relation to the distribution of their assets to their beneficiaries. Important considerations within the will include: administration, children, tax, fairness and estate vs non-estate assets.

Executors:

The Executor is responsible for the fulfilment of the person's wishes and for transferring valuable assets to the beneficiaries. The Executor should generally be a competent person who would be willing to take on the responsibilities involved. Most of our clients appoint their spouses or partners as executors and also appoint a professional executor organisation as a back-up executor where the first (or second) executors are unable or unwilling to carry out their roles.

Guardianship:

This is probably the most important section of a will for parents of minor children. Don't underestimate how difficult it is to come up with the best choice of guardian for your children in the event there is no remaining natural parent. An estate planning specialist should help you facilitate a discussion on what makes a good guardian.

Testamentary Trusts:

A testamentary trust is a trust created by a will. It is generally a discretionary trust – one where the Trustee has full discretion about who benefits, and to what extent, under the trust. A testamentary trust has two significant advantages for a will maker and the nominated beneficiaries:

- Significant taxation advantages in terms of income splitting; and
- Protection of the bequeathed assets from any financial or other difficulties that the beneficiaries may suffer.

Superannuation and linked life insurance:

This is not an estate asset and, therefore, is not distributed via a will. The Superannuation Trustee will distribute benefits in compliance with the Trust Deed. These days, most super funds offer "Binding Death Nominations" which should provide certainty around how your superannuation and life insurance is paid out.

Joint Assets:

Most couples usually own their homes "jointly". Like superannuation, a jointly held asset is not an estate asset. Full ownership of this class of assets will automatically pass to the survivor upon the death of a joint owner.

Enduring Power of Attorney:

What happens if your spouse becomes mentally disabled (eg. Alzheimer's Disease) and you can't sell your jointly owned home in order to move to something more appropriate because your spouse no longer has the capacity to sign legal documents? Speak to your estate planning specialist to get an EPA rather than having to get permission from Government Departments before being able to do anything.

Your Next Step:

Don't let external parties such as the Government and Courts determine how your estate is administered on your passing. Take the time to address these issues now. It is better than leaving a whole lot more heartache than is necessary upon your passing. If you do not know where to go for Estate Planning advice, please call us at Lifestyle. We have a panel of Estate Planning Specialists that we would be happy to refer you to.

Footy Tipping Competition

Who loves footy? We certainly do here at Lifestyle! As with a lot of things in life...everyone's an expert. To test some of our more vocal lounge chair footy aficionados we are challenging our clients to a footy tipping competition. Let's see if you can put emotion aside and make the cold hard calls each and every week on who is going to win – even if it means betting against your own team!

Our tipping competition will cover both the NRL and AFL, with both competitions having a 'winner takes all' prize of \$1,000. If there is more than one winner, the prize will be equally shared between the top point scorers. Of course, the ref's decision is final.

To join, all you need to do is jump onto the OZTIPS site at: <http://www.oztips.com.au> and join as a member. Once you have successfully registered a Username and Password, click the 'JOIN A COMP' button and enter the Comp # and Comp Password details below to join the Lifestyle competition you wish to follow. Or you can join both.



NRL: Comp # 244480
Password - 0294106000



AFL: Comp # 244513
Password - 0294106000

What's happening at Lifestyle

Farewell Sim

After 12 years at Lifestyle and with a huge influence on the smooth running of the office, Sim left us to join another firm in the financial services industry. We wondered how we would survive without her and are still finding little jobs which just 'got done' which now need to be taken on by other staff members. We wish her all the best in her new role.



New Grandparents

Gareth and Carmel are proud to be first-time grandparents! Dylan was born at 5:30 am on the 8th of March at Moruya Hospital on the South Coast. He was 4.095 kilos at birth (9lb 4oz in the old money) and 53 cm long. Daniel and Max are the proud parents, and all of them are doing very well.



Gareth Hall
CFP Financial Planner
Authorised Representative



Irene Kay
CFP Financial Planner
Authorised Representative



David Kissane
CFP Financial Planner
Authorised Representative



Shane Foster
CFP Financial Planner
Authorised Representative



Anne Kennedy
Finance



Kathy Kurten
Receptionist



Tim Egger
CFP Financial Planner
Authorised Representative



Denise Chambers
CFP Financial Planner
Authorised Representative
IT Manager



Stuart Nix
Financial Planner
Authorised Representative



Chris Watson
Financial Planner
Authorised Representative