

# Focus

June 2010



**Are You Ready for the End of Financial Year?**  
**Super Tips**  
**Catalyst Now Available!!**  
**Interest Rates**  
**Investment Dictionary**  
**Financial Health Check Reviews**  
**Focus on Opportunities...**  
**2010 Budget at a Glance**

## Are You Ready for the End of Financial Year?

With the end of the 2009/10 financial year almost upon us, it has been fantastic to hear from so many of our Focus Private Wealth clients in regards to our "End of Financial Year Financial Health Check Reviews".

We believe the reviews held with our clients and their Focus Private Wealth advisers have produced a highly positive outcome for our client's financial positions and have also helped our clients develop a clear and effective financial strategy moving forward into the new financial year.

Please be advised our Focus advisers will be continuing to meet with our Focus Private Wealth clients for this review opportunity in order to give our clients the best possible financial outcome for the year ahead, along with answering any questions and offering advice before meeting with your accountant.

If you have not yet booked a review appointment, please do so at your earliest convenience. Focused on your wellbeing.

## Super Tips

### How to Qualify for a Government Contribution

To get the superannuation contribution in 2009/10 you need to act by June 30th.

It is now available to both employees and the self-employed and involves the Federal Government contributing up to \$1,000 to your superannuation fund.

To qualify, you have to make an equivalent non-concessional super contribution - that is, one paid from your after-tax income without a tax deduction.

The maximum co-contribution is payable to those whose incomes are less than \$31,920. It reduces gradually until it phases out entirely at an income of \$61,920.

Remember, your contribution must be in your superannuation account **by June 30th**. A day late is not good enough.

For further information about the Federal Government's Contribution strategy and if you are eligible for the contribution, please do not hesitate to contact your Focus Private Wealth adviser today.



Focus would like to announce that our Catalyst Asset Management Platform is **NOW AVAILABLE** to our Private Wealth Clients.

If you have not spoken to your Focus Private Wealth adviser about Catalyst yet, please do so today. The future of asset management is here!!

## Interest Rates

### Reserve Bank Signals Interest Rate Pause

Borrowers can expect a break in from interest rate rises on June 1, the Reserve Bank has indicated.

The Reserve Bank of Australia (RBA) raised its benchmark interest rate in early May to bring borrowing rates back to average levels, despite growing concerns about the effects of the European debt crisis.

But in a possible reprieve for borrowers, the central bank has also hinted it might not lift the cash rate again for some time.

In the minutes of its May meeting, released on the 18th May 2010, the RBA said it raised the cash rate to 4.5 per cent from 4.25 per cent at its May 4 board meeting to bring borrowing rates back to their decade long average level.

“On balance, members judged it prudent to undertake some further monetary policy tightening at this meeting,” the minutes said.

“They noted that, if lenders responded as expected to another rise in the cash rate, interest rates faced by most borrowers would then be at around average levels over the past decade.”

It was the sixth time the bank raised the cash rate since October last year. The RBA also weighted falling retail sales and housing loan approval figures published before the May decision against the stimulatory effects of the resources boom over the year ahead.

This analysis was lined up against the worsening debt situation in Europe, around which the RBA said a case “could be made for a pause in the process of normalising interest rates”

The bank also noted that there was a risk the European debt crisis, particularly in Greece, could worsen further and threaten the global economic recovery.

But the RBA noted that while global stock markets and some currencies had seen a decline stemming from the European problem, there had not been a significant contagion to debt markets outside Europe.

“The direct impact of Greece on Australia was considered to be small,” the minutes said.

Meanwhile, in a sign the bank might not be eager to lift the cash rate again anytime soon, the minutes penultimate sentence said “members felt that this would leave monetary policy well placed for the present.”

“The board therefore supported another rise in the cash rate.”

### No more rate hikes ‘until September’

The debt futures markets is currently not pricing in another rate rise until September or November 2010.

All four of the major banks answered the RBA’s May decision by lifting the rates on their standard variable mortgage products, adding about \$50 a month to the cost of a 25 year, \$300,000 mortgage.

The RBA also noted that the central driver behind recent-than-expected inflation figures had been the strong rise in prices of services, which suggested that those sectors of the economy were operating with limited or spare capacity.

The central bank recently upgraded its own inflation forecasts and now expects that over the next couple of years, it is likely that inflation “would not be much below the top of the target range”.

“The RBA’s stated mission is to keep inflation within a target band of 2 to 3 per cent on average over time.”

Source | [News.com.au](http://News.com.au)

## Investment Dictionary

What does “Interest Rate Risk” mean?

The possibility of a reduction in the value of a security, especially a bond, resulting from a rise in interest rates. This risk can be reduced by diversifying the durations of the fixed-income investments that are held at a given time.

## Financial Health Check Reviews

### End of Financial Year Financial Health Check Reviews

With the end of the 2009/10 Financial Year almost upon us, our focus advisers are currently looking to meet with all of their clients for an overall **Financial Health Check Review** and to also offer their advice and expertise to any opportunities and strategies that they feel would benefit their client's current financial situations. Our Focus advisers will be primarily looking into the following areas:

- Tax minimisation opportunities,
- Investment/Superannuation portfolio investment choices and investment returns (reweighting portfolios to match our client's level of risk and desired return),
- Special investment opportunities to take advantage of current market conditions,
- Implementing fixed fee arrangements for our client's ongoing Focus service fees,
- Reviewing our client's financial goals and making sure they are on the right path to achieving them.

This is a great opportunity for our valued clients to meet with their Focus financial advisers prior to meeting with their accountants, and to have a complete review of their current financial situation moving forward into the new Financial Year. Please be advised that this review consultation will be at our expense, no charges will apply for your Focus financial adviser to review your situation, as it is one of the many unique services Focus offers to our Private Wealth clients.

If you have not yet booked an appointment and wish to do so, please do not hesitate to contact our Brisbane office on 1300 731 372 or the Gold Coast/Tweed office on (07) 5596 5530 to arrange a meeting time/date. Due to the overwhelming positive response we have so far received from our clients, we encourage you to contact us at your earliest convenience to lock in a date/time that best suits yourself.

## Focus on Opportunities... INSTREET ARC 3

### Overview:

Instreet Link ARC is an investment in an Absolute Return Commodities (ARC) index by way of a Deferred Purchase Agreement (DPA). The index references a diversified portfolio of commodity futures from various sectors including energy, metals, agriculture and livestock. The performance of the index is market-neutral and does not rely on the market falling or raising to generate returns. This investment has proven to be very popular and has helped our Private Wealth clients to provide further diversification to their portfolio's asset allocation.

### Benefits & Features:

- A one-off upfront payment of \$11,800 will deliver you a \$100,000 Notional Exposure for two years to a commodities based index. Minimum investment is \$2,950 (\$25,000 Notional Exposure),
- The maximum loss you may incur is the total of your one-off upfront payment,
- The average annual performance of the index since October 1997 is 15.3% p.a. Investors can potentially earn 15.3% on their investment's Notional Exposure amount,
- Annual payments:
  - Income payment at the end of the first year, capital payment at the end of the second year.

For further information on Instreet's ARC Series 3 investment opportunity, please do not hesitate to contact your Focus Private Wealth adviser today or visit [instreet.com.au](http://instreet.com.au).

## 2010 Budget at a Glance

### Who is Receiving What?

**The Government's Budget can seem complicated and overwhelming. So who exactly were the winners and losers and more importantly, which category do you fit into? We take a look at the main points of the 2010/11 Federal Budget.**

#### Overview:

- Deficit of \$40.8 billion will be reduced to \$13 billion by 2011/12.
- Budget will be operating in surplus come 2012/13, three years ahead of schedule.
- Economic growth (GDP) projected to grow to 3.25 per cent in 2010/11 and 4 per cent by 2011/12.

#### Employment:

- "Full-time" unemployment forecast to fall from 5.3 per cent to 4.75 per cent by mid 2012..
- Up to \$661 million will be invested in Skills for Sustainability Growth Strategy, creating 70,000 new training places and the support of 22,500 apprentices.
- The government will spend \$300 million over four years to tackle workplace shortages.
- \$67 million dedicated to helping unemployment improve their reading, writing and numeracy skills and \$28.7 million to help those already in workplace improve fundamental skills.
- Vocational Education & Training (VET) will get a \$243 million boost over the next four years.

#### Tax:

- From July 1, the final round of tax breaks will come into play, giving workers on an average wage an additional \$450 per year.
- Low-income tax offset rises to \$1,500.
- Higher tax-free thresholds of \$16,000 for salaries up to \$30,000.
- Simplified tax returns and a \$500 standard deduction for work-related expenses, without need for receipts. This will rise to \$1,000 from 2013.
- A 50 per cent tax discount on the first \$1,000 worth of interest earned from deposits.
- A new 40 per cent tax on mining profits will kick in July 1, 2012.
- Small business granted instant asset write-offs under \$5,000 from 2012/13.
- Company tax for small businesses will fall to 29 per cent in 2013/14 and 28 per cent in 2014/15.

#### Health:

- \$2.2 billion to be invested in the health system.
- Up to \$772 million will be allocated to primary care and GP's and creating "Better Access" to after-hours GP's.
- \$417 million for upgrades to around 425 GP and primary care clinics across the nation.
- Up to \$523 million to train and support nurses.
- A further \$355 million for 23 new GP Super Clinics

*Continued on next page...*

## 2010 Budget at a Glance

Continued....

### Health:

- 467 million will provide electronic health records to all Australians who want one.
- Reductions in the cost of the Pharmaceuticals Benefit Scheme.
- A further 25 per cent increase in cigarettes prices for smokers.

### Transport:

- The new mining super-profits tax will help fund \$5.6 billion in new infrastructure.
- Includes \$1 billion for the Australian Rail Track Corporation to fund rail freight.
- \$71 million towards the development of an intermodal terminal precinct at Moorebank.

### Sport:

- \$71 million for community coaching and training.
- \$237 million for elite sport.
- \$16 million for Paralympians.
- Brings total to \$325 million community and elite sport over four years.

### Defence:

- Government to spend \$25.7 billion on defence in 2010/11.
- \$1.1 billion will be allocated to current operations in Afghanistan, Iraq and East Timor.
- \$487 million will be put towards enhanced protective services for our troops in Afghanistan.

### Environment:

- ETS on hold until 2013, saving \$652 million.
- Saving of \$652 million (over five years) dedicated to help meet our renewable energy target of 20 per cent by 2010.

### Superannuation:

- Superannuation will rise from 9 per cent to 12 per cent over the next decade.
- A 50 percent tax discount on the first \$1,000 worth of interest earned from deposits.
- Government will make a \$500 contribution for workers on incomes up to \$37,000.
- Older workers allowed to make catch-up contributions of up to \$5,000.

### Welfare:

- \$71 million will be allocated to tackling welfare related crimes over four years.
- Funding to go toward developing an IT system to identify welfare cheats and save the economy \$127.6 million over four years.

Source | Yahoo Finance

**For further information on the Government's recent Budget announcements and how they may effect your financial situation, please feel free to contact your Focus Private Wealth Adviser.**