

Focus

September 2010



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Political

Investors Focus On United States, Not Election Saga

Australia's uncertain political future is no longer registering on the radar of investors who are instead concerned by the risk of a double-dip recession in the United States.

The Australian dollar lost one US cent on Monday 23rd August over the prospect of a hung parliament, but investors soon shrugged off any worries of political instability.

National Australia Bank (NAB) head of research Peter Jolly said overseas investors were eager to hear whether US Federal Reserve chairman Ben Bernanke mentions quantitative easing measures at the Kansas City Fed's Jackson Hole conference in Wyoming during the offshore session on Friday 27th August.

"The market's focus is very much on US double dip or not and what that means for the rest of the world".

Source | Yahoo Finance

Alpha RESULTS

RESULTS Series 1 Maturing Soon!

Focus would like to remind all of our Private Wealth Clients holding an Alpha RESULTS investment that the Alpha RESULTS Series 1 investment will be maturing on the **20th September 2010**.

Clients holding an Alpha RESULTS Series 1 investment must now elect how they would like to complete their investment.

If clients do not return the Maturity Notice (that should have now been mailed out to their nominated postal address) to either Citigroup directly or to Focus by 17th September 2010 (16th September 2010 if mailing back to Focus), the investment will automatically default to physical delivery of the Delivery Parcel.

Clients will have the following three options available to them:

1) You may elect to allow the Issuer to sell the Delivery Parcel of shares for you and to reinvest the sale proceeds of your investment amount into the next Alpha RESULTS product (Series 7).

2) You may elect to allow the Issuer to sell the Delivery Parcel of shares for you and for you to receive the sale proceeds as cash credited to your nominated cash account.

3) You may elect to accept physical delivery of the Delivery Parcel (Westpac Banking Corporation shares). This third option is the default option and should an investor not return their signed and completed Maturity Notice in time, this option will be carried out on the client's behalf.

Should you require any further information in regards to Alpha RESULTS Series 1 maturity or the available options, please do not hesitate to contact your Focus Private Wealth Adviser today.

Superannuation

Aussies In Danger of Outliving Super Funds

SUPERANNUATION pensions are becoming the new "investment frontier" as more Australians switch their super fund over to pension mode.

While all the focus during the past two decades has been on building up super balances and making contributions, attention is now turning to the performance of superannuation pensions.

Often called account-based pensions or allocated pensions, these income-paying funds are what the whole retirement system is about. The investment choices and performance of pension funds have a big impact on retirement lifestyles.

However, there is a growing risk of people outliving their super and of people withdrawing all their money at retirement, leaving them without any ongoing income.

Jeremy Cooper's recent super system review recommended the Federal Government put in place a compulsory pension fund to follow on from its low-cost MySuper fund, but this was not adopted.

"The average retirement balance is still low. It doesn't make sense to force these funds to offer a post-retirement product right now," Australian Institute of Superannuation Trustees chief executive Fiona Reynolds says, "but this will certainly change in years to come.

"Managing longevity risk (people's retirement savings drying up before they die) will become a major issue as our population ages and our compulsory super system matures.

"Years ago the average person lived for less than a decade in retirement.

"But with the average retirement now stretching more than 20 years, there is a real risk people's money will run out.

"Managing this longevity risk is the missing

link in our retirement system.

"We need to start thinking harder and more creatively about how to ensure people's super will last the distance."

The average super balance at retirement is still about \$75,000 for women and \$150,000 for men, so many people will have super pensions paying less than \$15,000 a year in retirement.

Independent research company SuperRatings managing director Jeff Bresnahan says pension fund returns during the past year performed almost on a par with their more higher profile super fund stablemates.

The median return from a balanced pension was 9.25% in the past financial year, compared with 9.79% for the average super fund.

Source | News.com.au

Investment Dictionary

What Does The Term A "Bull Market" Mean?

A financial market of a group of securities in which prices are rising or are expected to rise. The term "Bull Market" is most often used to refer to the stock market.

What Does The Term A "Bear Market" Mean?

A market condition in which the prices of securities are falling, the complete opposite to a "Bull Market". A Bear Market should not be confused with a "Correction", which is a short-term trend that has a duration of less than two months. While corrections are often a great place for a value investor to find an entry point, Bear Markets rarely provide great entry points, as timing the bottom of the market is very difficult to predict.

The use of "Bull" and "Bear" to describe markets comes from the way the animals attack their opponents. A bull thrusts its horns up into the air while a bear swipes its paws down. These actions are metaphors for the movement of a market. If the trend is up, it's a "Bull Market". If the trend is down, it's a "Bear Market".

Source | Investopedia.com

Retirement

Conservatism Doesn't Pay Off In The End

RETIREES living off their savings know that they face a clutch of nasty risks.

There is market risk, the risk that market downturns will erode their invested capital and the returns they need to live on; inflation risk, the risk that their investment returns do not keep up with (or exceed) inflation; and longevity risk, the risk that they will outlive their super savings.

In the wake of the devastation of the global financial crisis on investment returns, market risk and longevity risk have, naturally, been pushed to the front of the risk queue.

But as markets slowly recover from a tough few years, a risk little noticed before might be more of a problem: the risk of conservatism.

"I think there's a very big risk that, because of the GFC, some people are going to err on the side of investing too conservatively and not use growth assets to the extent that they should," says Gemma Dale, manager of ThreeSixty Technical Services at MLC.

"It's actually another aspect of longevity risk. As longevity increases and people find that they're living a bit better than they might have thought in terms of lifestyle, retirement portfolios are still going to need that heavy lifting from growth assets," he says.

"I think there is going to be that element of investor behaviour possibly swinging back too far on the safety side: thinking that they have longevity risk covered through safety of their capital, but actually not getting the returns that they need."

Andrew Boal, managing director of actuarial and investment consulting firm Towers Watson, agrees that this risk has emerged in the wake of the GFC. And he says it is particularly important this risk is better understood, given the recommendations of the Cooper review.

"It has been proposed to gradually increase

the superannuation guarantee rate from 9 per cent of earnings to 12 per cent by 2019. This means that, post-Cooper, more Australians will be heading into retirement with more money.

"But the Cooper review still leaves a great deal of responsibility on the shoulders of every Australian super fund member to manage their post-retirement situation, in particular to manage their longevity risk.

"To most people, longevity risk means outliving their savings. But another aspect of longevity risk is behaving too conservatively -- both in investing while retired and in drawing down money -- and leaving too much money unused."

While that might be good news to the fund member's family, Boal says it could just as easily mean that the member made do with a "more constrained lifestyle" in retirement than they really needed to.

If a retiree invests in a balanced growth-style portfolio, with 60 per cent to 70 per cent in shares, more than half of their income in retirement will come from the earnings on their investments.

"If you don't do that, not as much of your income will come from your investment earnings: in other words more of your retirement spending will come from your own capital, and that means either a lower standard of living or your money will run out sooner," he says.

"The more risk you take off the table -- the more risk-averse you are with your investments -- what that means is that it will almost certainly lower your standard of living, albeit with less variability, or increase the chance that you run out of money sooner."

Source | Business -The Wall Street Journal



2010/11 Facts & Figures

Resident Marginal Tax Rates 2010/11

Income	Rate
\$0 - \$6,000	0%
\$6,001 - \$37,000	15% over \$6,000
\$37,001 - \$80,000	\$4,650 + 30% over \$37,000
\$80,001 - \$180,000	\$17,550 + 37% over \$80,000
\$180,000 +	\$54,550 + 45% over \$180,000

Note: Medicare levy may also apply where taxable income exceeds a certain level, or the Medicare levy surcharge applies.

Contribution Caps 2010/11

Concessional (before tax) Contributions Caps

Income Year	Amount of Cap
2010/11	\$25,000 ¹ / \$50,000 ²

¹ If a person is aged under 50, the cap limit of \$25,000 will apply for the financial year.

² If a person is aged 50 or over on the last day of a financial year within the transitional period, the transitional cap of \$50,000 will apply for the financial year.

Non-concessional (after tax) Contributions Caps

Income Year	Amount of Cap
2010/11	\$150,000 / \$450,000 ³

³ People under the age of 65 at any time in the financial year may effectively bring forward two years' worth of non-concessional contributions, allowing them to contribute \$450,000 at any time over a three-year period without exceeding the cap.

Closes 30th September!



INSTREET ARC
Series 4

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 14%p.a. Investors can potentially earn 14%p.a. on their investment's Notional Exposure amount,
- Anticipated annual payments:
 - The potential to receive an income payment at the end of the first year and a capital growth return at the end of the second year.

To participate or for further information, please contact your Focus Private Wealth Adviser today.