

Issue 14 – Sep 2007

Learning To Love Volatility

The recent volatility in the world and Australian share markets has seen a diverse reaction to the “US Debt Crisis”. First panic and an immediate 3% drop in the stock market. Media reports \$billions wiped off the stock market. Again, over reaction to media hype and another 1% goes off. Within one week there was a rally, then down slightly then a big rally and three weeks later back to previous levels and many Australian “blue chips” at higher than previous value.

What happens during periods of volatility? The smart investors buy and increase their long term holdings in quality shares. This can be referred to as “discount buying” and presents these opportunities because of volatility.

This volatility is the essence of being in the market for the long haul and not adopting a “trading mentality” by taking small profits or cutting so called losses at times when the media is creating panic. Long term investors do hold for the long term and these volatile fluctuations in prices have little effect on their portfolios.

Why do we need this volatility? When a new company lists on the stock exchange, called an Initial Public Offering (IPO), there has to be a “secondary market” or there would be very limited buyers of the stock. Someone always has a different economic opinion and various reasons to buy or sell a particular stock or sector of the market. The size of the world wide markets allows for massive buying and selling. Economic changes bring upward and downward trends in markets but specific events such as wars, September 11 and this most recent US Mortgage panic, cause quick fluctuations that have proven over time, to go back to and above the previous value before the panic .

Predictions from Craig James, Chief Equities Economist, CommSec. (Economic Insights 15/08/07).

The All Ordinaries/ASX 200 to reach 6,400 by December 2007 and 6,800 by June 2008. Reserve Bank to leave interest rates on hold until well into 2008.

Reduced buoyancy in the sharemarket, together with stable interest rates should cause investors to look more favourably on residential real estate. A slow upturn in housing is expected from late in 2007.

Volatility, love it and take advantage of the opportunities when they are presented.

Article by John Shortland (DFP)

A Question Of Balance

Have you ever wondered why some are better off than others? Why is there such a staggering difference between the income and living standards of people in our society?

It's the difference between those that choose to live within their comfort zone and don't want to take chances or risks in life and those that are open to new ideas, always looking for opportunities to better themselves and do more in life.

It's a question of balance. But just what is **balance**?

We are often reminded of the need to balance our lives. Here is an excerpt from the book: “Make a Life, Not Just a Living” – by Ron Jenson.

Think of “Balance” in Terms of a Marble And a Rounded Bowl



**Static
Equilibrium**

**Dynamic
Equilibrium**

Many people think life should be like a marble sitting at the bottom of the bowl. This is static equilibrium, with no pressure on the marble. It just sits there comfortably.

The problem is, the bowl is in the wrong position. We need to take the bowl and turn it over so that it sits on its lip. Now we very gently put the marble on the very top of the bowl's upturned bottom so that it's ready to fall in any direction. That is the right view of balance in life!

We constantly have tension: Which bills should I pay this week? Who needs to see me before the weekend? Should we go out to dinner with or without the kids? Should I finish this report or be in time for dinner?

How do you deal with this kind of constant tension?

First, you embrace the principal that life is going to be dynamic, not static. If the marble starts rolling down too far in one direction, you need to shift the bowl to get it back to the top.

Blessed with this knowledge, we can now truly live a balanced life realising that **“Balance” is not static, it's dynamic and that we all have the potential to do more and achieve more.**

Article by Oscar Aguiar

Rising debt levels takes shine off super savings

Excerpt: Vanguard Investments

The amount of money you have in your super fund is only one side of the coin when it comes to calculating how much you will have to live on when you retire.

To accurately measure your retirement savings you need to take into account your household debt - because for many people the amount they have to live on in retirement will be substantially less than their super fund balance because the first thing they will need to do when retiring is to clear the household debt.

Debt can be a useful tool for building wealth, but it comes with a clear caveat - at some stage it has to be paid back. The concern is that while our super savings have been increasing nicely a lot of the gains in super funds are being offset by increased household debt.

In the 1980s the average Australian household carried \$50 of debt for every \$100 in income. But over the past 15 years the debt level has exploded and the average household now carries \$160 of debt for every \$100 of income.

For individuals it reinforces the need for having a household budget with assets and liabilities measured so that you can see exactly where you are in respect to your long-term financial position at the time of retirement.

Smart Investing by Robin Bowerman

Full Article available at: www.vanguard.com.au

If you need help with any Superannuation or other wealth creating strategies, please call Jillian or Donna or John S on 0249 625 814.

Your Home is Your Business

Every family should run the home like a business. A business is set up for profit. It involves generating an income but has the inevitable burden of expenses. If expenses exceed income, it runs at a loss.

The home is very much the same. Mum and Dad go to work to generate an income. Like a business, if household expenses exceed the income generated, the family will be in debt. So why not run the home like a business and budget for profit?

You wouldn't run a business without setting a budget and financial goals. So why is it that most families run the home without setting a budget or goals?

It's often been said, it's not how much you earn that matters, it's what you do with the money that you earn that makes the difference between budgeting for a profit or going broke.

Budgeting is the corner stone to wealth creation. It allows you to understand where and how your hard earned money is being spent. If all of it goes towards lifestyle expenses (keeping up with the Joneses) and not enough into wealth creation, then, like the average Australian, you will face a difficult and uncertain future.

Article by Oscar Aguiar

Are you one of thousands that constantly finds yourself in debt? Are you struggling to manage your household budget? At IG we have advisors that could help you get started with your budget and plan for your future. In addition, our in-house **Success Coaching** course is designed to educate and empower our clients to plan for true **financial independence**. Remember, an investment in knowledge is never wasted.

We now have a **Budget Spreadsheet** (with instructions) along with an article titled "**Why Budget**" that can be accessed from the IG Web site.

<http://www.i-group.com.au/tools.html>

Need further advice on preparing a budget, Success Coaching or planning for your future? Call IG now on 02 4962 5800.

Lessons from Nature...



*Even a magnificent tree with shallow roots will be blown over in a storm.
(Newcastle Storms - Jun 07)*

Together we can.....

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All personal details are kept private and confidential. Names used in this newsletter have been done so with consent.

Comments and contributions always welcomed.

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Issue 12 – Aug 2007

SPECIAL SUPPLEMENT

Understanding the Property Cycle

It's a well known fact that supply and demand - as in any market place - controls property pricing. If we take a simplistic overview we can see that the property cycle will usually turn over each 7-9 years. The cycle generally comprises 2 to 3 years of low to moderate growth followed by 4 to 5 years of stronger growth until demand is caught up; then it goes back to the beginning of the cycle, often with a price slump in the initial years as we experienced in Sydney in 2004/5.

This slump is due to a high level of building during the boom period of the rising property cycle. Developers often have long planning transactions and building times so they are not able to cease developments as soon as the market slows. This results in an oversupply and causes the market to stall. Developers and property speculators withdraw and the values are seen to fall.

Often people are drawn to buy through boom times and steer clear of the property market through the busy section of the cycle. This is not the recommended course of action from an investment return perspective. It basically sees people buying properties when they are headed towards their peak value in the cycle and not buying when these same assets are at their cheapest.

What is the Property Market currently doing?

In it's report to the press dated 23rd July 07, BIS Shrapnel forecasts demand for houses will outstrip supply for the fourth year in a row due to rising numbers of overseas workers that could significantly increase the pressure on Australian housing stocks. In a similar article BIS Shrapnel went on to say that the south east Queensland markets (Brisbane, the Gold Coast and the Sunshine Coast) are forecast to show the strongest price growth out of the major Australian centres through to 2010.

Based on the above and several other articles, there is strong evidence to suggest that growth in rentals and improvement in yields will begin to drive some growth in investor demands.

Aura – West End's (Brisbane) newest river precinct.

This new and exciting project is located in the urban renewal 'river precinct' of West End – just 2.8km from Brisbane's CBD.



For more information contact **Independence Investments** on 02 4962 5800 or log on to the web site on <http://www.i-invest.com.au/property.html>

Client News

“A little ray of sunshine has come into my world. A little ray of sunshine in the shape of a sweet baby girl”.



Congratulations to Evan & Aneta Buxton on the arrival Baby Natalia.

Together we can.....

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All personal details are kept private and confidential. Names used in this newsletter have been done so with consent.

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