

Issue 18 – Dec 2007

A Question of Time

Here is an article (adapted for our readers) that reminds us that time spent on selecting an investment, is time well spent.

Buying a new car is exciting. There is so much choice, so many colours, body styles, engines and brands to choose from.



Your budget helps narrow the choices substantially. Some brands will resonate; others will be a real turn off while practical stuff like four doors or two, work needs, number of children, hobbies and lifestyle will all have to be factored in. Then there are test drives and the haggling about price and options.

Make no mistake buying a new car is a serious financial decision - but it is also fun - even if you realise that the day you drive out the showroom door in your shiny new car you just took a depreciation hit the likes of which would cause you sleepless nights if it happened to your investment portfolio.

If you have bought a new car in the recent past think about how much time you invested in the process.

Now think about how much time you would spend analysing and buying a new investment. Paradoxically most people spend a fraction of the time selecting or monitoring their investment yet their choice of investment option could have a significant impact on whether or not they can afford not just a new car but be able to fund their entire lifestyle when retired.

It is hard to foresee a day when investments can command the sort of attention that selecting a new car - or even next year's holiday destination - does. That is hardly surprising. By its very nature – intangible at times and all about deferring pleasure a long way into the future – investing for the future struggles to compete for attention particularly in today's instant consumer society.

Yet investing is the key that will unlock all those lifestyle decisions in your retirement. Perhaps we need to start looking at our investment statements with that in mind.

If you are considering an investment in property or you simply need information on Wealth Creation Strategies, contact Garry Lunn on 02 4962 5800

Six Steps to Financial Independence

An extra-ordinary life comes from an extra-ordinary way of doing things. There probably is no quick way to riches that is of any great value to you. Most people who win Lotto end up in more money trouble within a few years than they ever were in before their "Good Luck".

The journey of 1000 miles begins with one step. If you have been struggling with your finances there are a number of things you must do.

1. Take a long-term approach to increasing your job skills and knowledge so you can increase your income. Anyone can empty a rubbish bin so no-one will pay a lot to have it done! Very few people can operate successfully on a brain tumor so the people who know how to do it can name their price!
2. Look at what is happening with your spending and get a plan - Budgets will certainly help you with this!
3. Get advice and assistance from someone who is qualified to give it, and get more than one opinion.
4. Don't be impatient, quick is rarely good.
5. Be prepared to be different from those who couldn't be bothered to put in the effort. If you take what seems like the easy way like everyone else, you will end up like everyone else! Most people end up broke! Being different is probably one of the best things you can be!
6. Never let others steal your dreams by telling you "you can't do it". You can do whatever you believe is possible for you. Believe in yourself!

I hope these thoughts will help you achieve more from your life and your finances.

Source: David Wright - www.simplybudgets.com.au

Need further advice on planning for your future or Wealth Creation? Call IG now on 02 4962 5800.

Words of Wisdom:

“Choice is an illusion. Do I do this—do I do that—all of this is confusion. I can only choose when I'm confused. When I know clearly, there is no choice.”

J. Krishnamurti

Continued next page....

More on Change from David Wright

Someone once said "you already have what you want". To have more than you currently have you have to change your beliefs about who you are and why you do what you do.

Remember, you will be the same person you are today ten years from now unless you do something to change. The things that will change you for the better or the worse will be the people you talk to, the books you read, the movies you watch and the time you spend alone thinking about who you are and what you really believe in and want out of life.

Source: David Wright - www.simplybudgets.com.au

Invest in Your Future

For you and many other Australians, a secure financial future is a top priority. Why? Because financial security brings choice. And choice allows you to achieve your goals, live your dreams and realise your ambitions, whatever they may be.

What is a Managed Fund?

There are many different investment options such as property, shares, bonds and cash. Many people invest in just a couple of these options. There are also managed funds which can give you access to all these investments.

A managed fund pools the money of many individual investors which is then used to buy assets according to the investment objective of the fund. The fund is then professionally managed with the aim of producing income, growth or both.

When you invest in a managed fund, you are allocated a number of 'units' based on the entry unit price at the time you invest. Your units represent the value of your investment, which will change over time as the market value of the assets in the fund rises and falls.

Why invest in a managed fund?

These days, time rivals your health as your most important asset. Taking advantage of a team of investment professionals helps you to make the most of your time, and importantly your money.

Some of the benefits of managed funds include:

Diversification – managed funds can reduce your risk by spreading the investment across companies, industries, sectors and countries.

Get someone else to do the work – by investing with DFS and the fund managers we use, you tap into our active and disciplined approach to managing quality assets, coupled with a solid performance history.

Compound returns – increase the potential for compound returns by reinvesting the investment earnings. This compounding effect means that a small improvement in your investment returns could make a big difference over time.

Invest regularly – you can choose to invest a regular amount each month. By investing regularly you can smooth out the impact of fluctuations in the market and reduce the risk of investing large quantities of money at an unfortunate time.

Asset allocation refers to the way that your investments are spread across different asset types.

Shares – shares are generally considered a growth asset (that is, they grow your capital), but can also provide income through the payment of dividends.

Property securities – this is a part ownership in a property trust or company, generally listed on a stock exchange. Because the property securities are traded like shares, their value can rise and fall according to market conditions. Property can offer both capital growth and income.

Fixed interest and cash – this is where you lend a company, semi-government or government authority a sum of money and, in return, receive regular interest payments. Each fixed security has a 'term to maturity' which is the period of time over which you receive income payments before capital is returned to you.

Choose income or growth – the return from a managed fund can come in two forms

- income (paid to you as a 'distribution')
- and changes in the unit price (which can provide capital growth).

If you need help with investing in Managed Funds, Super or other wealth creating strategies, please call Jillian, Donna or Dominic on 0249 625 814.

Together we can.....

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Comments and contributions always welcomed.

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SPECIAL SUPPLEMENT - PROPERTY

National Capital City Round Up

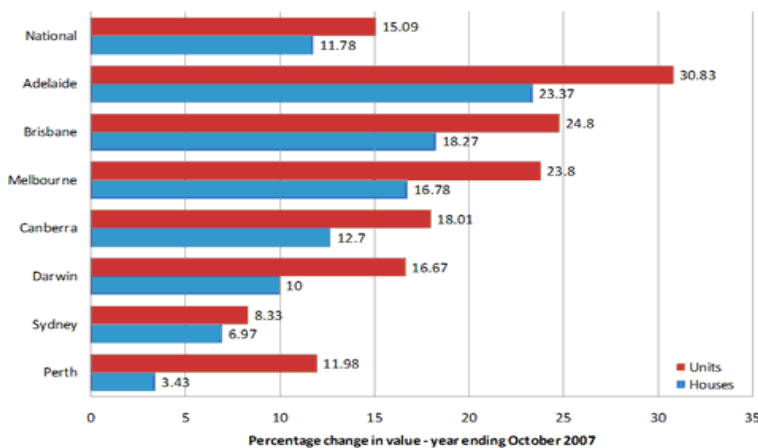
Source: RP Data Information Service

The latest RP Data – Rismark Hedonic Index shows the Australian property market continues to grow in value, with home prices increasing by 12.6 per cent over the year ending October.

The latest Hedonic Index figures show that overall Australian property values have been growing steadily since the start of 2007; however price growth in the unit market is now outpacing price growth in the detached housing market. Over the last twelve months unit prices have increased by 15.1 per cent compared to 11.8 per cent for houses.

The strong growth in the apartment sector further highlights the affordability situation that is plaguing first home buyers and low income families. Attached dwellings such as units and apartments are in high demand from owner occupiers and investors as price points are generally more affordable and rental yields tend to be higher. The median unit value across Australia is now \$380,100 almost \$100,000 lower than the median house value of \$475,800. The gross rental yield on a unit across Australia is now 4.8 per cent compared to 4.0 per cent for houses.

Capital city house and unit value changes
Year to October 2007



On a city-by-city basis, Adelaide continues to lead the charge, maintaining growth well above twenty per cent. Houses are increasing in value at the rate of 22.4 per cent per annum and unit growth has cracked the 30 per cent mark, with unit prices now increasing at the rate of 30.8 per cent. Even with such impressive growth, Adelaide remains one of the most affordable housing options of any capital city. The median house price at \$385,400 is the lowest of any capital city and the median unit price, \$297,500 is the second lowest of any capital city behind Darwin. Rental yields for both houses and units are also above the national average at 4.3 per cent and 4.9 per cent on average respectively.

Brisbane and Melbourne are close behind Adelaide, with combined house and unit prices increasing at the rate of 19.25 per cent and 18.39 per cent respectively. Houses and units are averaging less than twenty-five days to sell across both markets suggesting that housing stock is turning over very quickly. Reflecting the national trend of the unit market outperforming detached housing, unit values increased by 22.8 per cent in Brisbane and 23.1 per cent in Melbourne. Rental yields in Brisbane are significantly higher in Brisbane than in Melbourne with Brisbane houses returning a gross yield of 4.3 per cent on average (compared to 3.8 per cent in Melbourne) and Brisbane units returning a gross yield of 5.0 per cent compared to Melbourne's 4.5 per cent.

The nation's largest real estate market Sydney, is continuing to show improvements after three years of depressed prices. Overall price growth for houses and units is now at 7.4 per cent per annum; this time last year the growth rate was just 0.4 per cent. The number of houses being listed in the market is up by 24 per cent on the same period last year, suggesting the vendor confidence may be returning to the market.

Darwin's long run of price growth and Canberra's shorter run of price growth appears to have slowed over the last quarter. Darwin house and unit prices have increased by 14.5 per cent over the year, however the last quarter has recorded less than a one per cent movement. Similarly, Canberra house and unit prices increased 13.9 per cent over the year, but quarterly growth has been only 1.5 per cent.

The Perth market has continued to cool with price growth of just 3.2 per cent for houses. The unit market is fairing somewhat better, with price increasing by 12.0 per cent over the year. The stronger performance of the Perth unit market is likely due to the dramatic fall of affordability levels in Perth over the last two years, with many buyers now looking towards attached living options because of the lower price points. Leading indicators suggest the Perth market is slowing further, with both the average time it takes to sell a property and the level of vendor discounting both trending upwards.

The complete set of indices, including historical figures, can be viewed at the RP Data web site: www.rpdata.net.au/indices/

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Would you like to know more on why investing in property is an essential component of YOUR wealth creation strategy?

For more information on this subject contact Garry Lunn on 02 4962 5800.

Together we can.....

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