

Your Quarterly Update



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Investing Clouds Lift On Year From Hell

On March 10, 2009, Australia's share market hit its lowest level of the global financial crisis. What a difference a year can make. A 54% recovery since March 2009, most of it in the first six months of the year, has dramatically lifted the performance of share portfolios, managed funds and super.

The All Ords have been trading above 4700 points and the ASX200 Index, which most analysts focus on, has climbed from 3121 to 4767 points.

Australia avoided the property price collapse that countries such as Britain and the US have suffered, and economic data continues to improve. 'We have been the world's Goldilocks economy,' says Macquarie Private Wealth division director, Paul Kirchner, but he warns that Australia's future is strongly linked to ongoing demand from China.

Shares

Despite a loud minority warning a second round of the global financial crisis is imminent, most analysts say Australian shares are now fairly priced, based on earnings projections in the coming year. Kirchner says while there is concern that world governments 'have fired most of the bullets they have' to deliver global growth, Macquarie predicts the share market will reach 5500 points by the end of the year.

Managed Funds

The share market is the biggest single driver of what happens with managed funds. Morningstar Australasia says two-thirds of Australia's managed funds are either Australian or international share funds, or funds with a meaningful exposure to shares. Financial strategist, Theo Marinis, says the majority of financial planning clients invest through managed funds rather than direct shares, and a typical balanced fund has climbed 15%-20% in the past year 'depending on how much exposure they have to shares'. He says many people who didn't panic and sell out during the worst of the downturn have picked up more blue-chip investments at bargain prices.

Superannuation

Similar to managed funds, Australia's \$1.2 trillion superannuation sector reflects movements in the share market. Jeff Bresnahan, managing director of research group SuperRatings, says the median balanced super fund return is up more than 17% since March 2009. 'It follows the worst 12 months prior to that, of minus 19.7%,' he says. 'It's a good lesson not to take much notice of short-term returns'.

Property

Fierce debate is raging in property circles about the future for the sector. Research has found Australia's houses among the most unaffordable in the world, interest rates are rising, mortgage debt is expected to pass \$1 trillion within a year, and there's talk of a property bubble in some cities. On the flipside, demand for new homes continues to exceed supply, auctions are running hot and the Australian Bureau of Statistics reported last week that dwelling approvals were up 47% on a year ago. The national median house price has climbed from \$437,000 in March 2009 to an estimated \$500,000 today.



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Where Our Spending Money Went In 2009

Australians are hitting gyms, golf courses and sports courts in record numbers to sweat off the financial crisis.

Others have invested in boats, bikes, caravans and fishing and camping as lavish holidays and hotels were ditched for down-to-earth pursuits. The obsession with health flowed onto chemist counters and medical clinics as workers fearful of getting the sack dosed up on medicines to stave off sickness. Employees putting in extra hours at the office turned to housekeepers and gardeners to keep their homes in order. And while consumers sacrificed luxuries such as jewellery and eating out, most refused to cut their hairdresser and beauty treatments.

Spending data reveals the Aussie love affair with sport extended beyond the spectator stands last year to the local fitness centre, footy oval and tennis court. 'People stayed home and did not go on major vacations, but they still needed some form of entertainment,' leading economist Craig James said. 'There's also the Biggest Loser effect of constantly being told we're getting fatter and not fitter.'

CommSec analysis of Bureau of Statistics figures confirms expenditure on televisions and stereos rose as families cashed in on discounted prices and cocooned at home to ride out the economic crunch. Despite the obsession with wide-screen TVs, the cinema survived as a popular night out for movie lovers. Rising water, electricity and gas bills belted household budgets nationwide, with the biggest annual rise in utility charges in 26 years, but drivers benefited from a drop in the cost of petrol.

What we spent money on in 2009

Going up

Major durables for recreation & culture 39.1% - includes new purchase and hire of aeroplanes, micro-light aircraft, gliders, hang-gliders, hot-air balloons, boats, caravans, trailers, bicycles and all camping and sporting equipment.

Sporting & recreational services 4.8% - includes fitness classes, hiring of tennis courts and green fees

Medicines 13.6%

Hairdressing and beauty salons 12.6%

Cinemas and other admissions 10.9%

Domestic services—housekeepers, gardeners, etc 10.4%

Going down

Petrol

Books

Visits to Hotels and Motels

Jewellery & Watches

Games

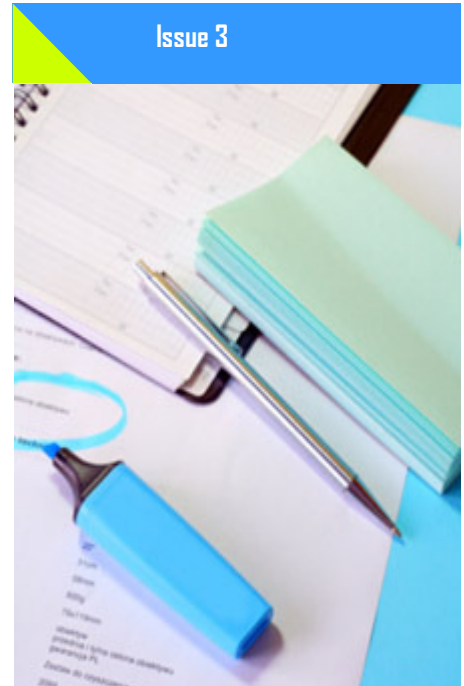
Toys & Hobbies

Child Care

Rail Transport

New Cars

Source: <http://www.news.com.au/money/money-matters/where-our-spending-money-went-in-2009/story-e6frmd9-1225838548949>



'While consumers sacrificed luxuries such as jewellery and eating out, most refused to cut their hairdresser and beauty treatments'

Advice When Planning For Retirement

If you're approaching retirement, you may have a number of options to boost your savings. One strategy you might consider if you are aged 55 or over and still working is a 'transition to retirement' strategy, in which:

- You put part of your pre-tax salary directly into your super fund
- You invest some of your super into a Transition to Retirement Pension (TRP), an income stream that draws on your super, and
- You use the regular payments from the TRP to replace the income you sacrifice into super

This allows you to grow your retirement savings, without impacting the amount of money you have to live off.

If you are self-employed, investing some of your business income in your super will get the strategy working, and you can also claim a tax deduction for your contribution.

Investing in a TRP could also allow you to maintain today's income and standard of living while you reduce your working hours by drawing on your super.

Establishing a TRP is just one of a range of strategies that could help you get ahead. To understand if this or other strategies are relevant to your unique circumstances, please contact our office to arrange an appointment to meet with Brendan by phoning 07 5531 3644 or email Brendan at brendan@prestigewm.com.au

Adapted from Source: http://www.mlc.com.au/mlc/im_considering_mlc/personal/advice/expert_advice/how_an_adviser_can_help/planning_for_retirement

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www.prestigewm.com.au

Our team of financial services professionals are committed to developing wealth creation strategies, retirement income streams, etc for personal investors.

The benefit you receive from Prestige Wealth Management is full access to our services by our widespread expertise covering insurance, investment research and investment portfolio management. We will develop a strategic financial plan which is effective, relevant, thorough and systematic to increase our client's investment growth in a tax efficient manner.

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Thank you for letting us continue to help you reach your personal and financial goals



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