



## Securing your financial future!

### Investment Update – Market Volatility

It has been a stressful month for global share markets with almost unprecedented volatility shaking share markets across the globe. After a difficult year, where all growth asset classes produced negative returns, it is clear that uncertainty in world markets has increased. Markets do not react well to uncertainty. While many market participants previously believed the worst of the “Global Credit Crisis” was behind us, September proved this wasn’t the case.

There have been a number of reasons for the falls in the market. The first of which was the subprime (or inferior loans) mortgage crisis which is still affecting the supply of loans today.

There has been some collapse of well known investment banks and panic when the US Government rescue package was declined by the US House of Representatives on 30 September. The package has now been approved but there is still a lot of uncertainty out there.

### What to do in times like these?

No one is alone is feeling nervous about such uncertain financial markets, but during these times it is more important than ever to return to the basic rules of investment.

#### 1. Remember, historically, the long-term trend is up

Over the last two decades there have been several major events that have had a massive effect on the Australian share market. These include the Wall Street Crash in 1987, the bursting of the technology bubble in 2000 and the September 11 terrorist attack in 2001. While each of these events resulted in a sustained period of market downturn, the market has always recovered. Additionally, when the market recovers, it has historically recovered strongly.

Short-term volatility and changing investment market cycles have always been a part of share market investment, but it is important to remember that the historical long term trend is upward. Australian shares, for example, continue to perform very well, up 197% in the last ten years. Similarly, Australian listed property, which fell nearly 38% this year, has returned 128% over the same ten year period.

#### In this issue

- Investment Update – Market Volatility
- What to do in times like these?
- Is it a good time to invest?
- Own your First Home
- First Home Owners Grant changes
- First Home Savers Accounts
- Education tax refund legislation introduced
- Medicare Levy Surcharge Thresholds Increased
- Luxury car bill passes Senate

#### Important Dates

October 2008 Monthly IAS/BAS  
21 November 2008

November 2008 Monthly IAS/BAS  
22 December 2008

December 2008 Monthly IAS/BAS  
21 January 2009

Sept 2008 Quarterly BAS/IAS  
Self Prepared 28 October 2008  
EFS Prepared 25 November 2008

Dec 2008 Quarterly BAS/IAS  
Self Prepared 28 February 2009  
EFS Prepared 28 February 2009

*Thank you  
for referring your  
friends and colleagues  
to us.*

*The finest compliment  
we can receive is a  
referral from our  
clients.*

## 2. Maintain and review your existing strategy

During times of uncertainty, it is important to refocus on the plan you have in place, what you are trying to achieve and how long you're prepared to invest for. Keep in mind that the longer your investment timeframe, the more likely you'll experience some form of short-term market volatility.

You also need to consider the level of risk you are prepared to take to generate returns and whether your existing plan still accurately reflects this. For example, high exposure to growth assets like shares and property can increase your long-term returns, but it's likely you'll experience greater short-term fluctuations than more conservative assets like cash.

## 3. Don't overreact to short-term movements

Investment markets move in cycles, but no one can accurately forecast when they'll rise or fall. Moving money in and out of the market during a downturn or during periods of heightened volatility means you can potentially miss out on any positive gains in a strong market recovery.

This view is supported by history. For instance, research on the Australian market since 1985 shows that the Australian share market returned an average of 28% in the year following a negative return.

## 4. Diversify your investments

Diversification involves spreading the risk associated with any individual investment by investing in a variety of different investments and investment classes. Your Count Adviser can assist you in diversifying your investments across a variety of asset classes, regions, investment managers and investment styles.

Count Financial Limited adheres to a rigorous research process to ensure only the best rated investment products available are considered for your portfolio. Count has recently conducted a review of the direct exposures to Lehman Brothers, AIG and Merrill Lynch of the recommended international managers on Count's Approved Product List.

The result was one manager having a holding of slightly above 1% in AIG. All other managers were found to have less than 1% exposure to any of these companies.

## 5. Get professional advice tailored to your situation

As a client of a Count Financial Adviser, you are well positioned to obtain ongoing professional advice. Your Count Adviser can help you make informed investment decisions based on your needs, objectives and personal circumstances, while taking into account the current market environment. If you have any concerns in relation to current markets and how they are affecting your situation, schedule an appointment with your Adviser as soon as possible.

## Is it a good time to invest?

For those holding cash or Term Deposits coming up to maturity it is understandable that you would prefer the certainty and security of your capital with a guaranteed income payment.

However it might also be a good time to invest for those with a long term time horizon. Share prices are a lot more realistic today and there are many companies at reasonable values which may offer the opportunity for long term growth.

Although we cannot predict if the market will fall further, markets do recover. Returns from shares over the long term have historically significantly outperformed the returns from cash. This is particularly important if inflation remains at an average of say 3% pa, meaning the real rate of return on current rates of 7%, is only 4% pa.

To seek our advice on reviewing your existing investments, or if you seeking new investment opportunities, please contact our Financial Planner, Christine Hallowes on 02 9868 3900.

Elite Financial Solutions is an Authorised Representative of Count. 'Count' and Count Wealth Accountants® are the trading names of Count Financial Limited, ABN 19 001 974 625. AFS Licence Number 227232. Principal Member of the Financial Planning Association of Australia Limited.

General advice warning: The advice provided is general advice only as, in preparing it we did not take into account your investment objectives, financial situation or particular needs. Before making an investment decision on the basis of this advice, you should consider how appropriate the advice is to your particular investment needs, and objectives.

## Own your First Home

*Higher interest rates, tougher lending requirements and falling housing affordability in most urban areas around Australia mean there are few shortcuts to achieving home ownership.*

### Way to win: Pay yourself first

The best way to save that deposit is to start as early as possible by living within your means and paying yourself first.

The first step should be to get rid of any debts, which will involve paying more than the minimum on your credit card.

Next, make saving compulsory. Organise for at least 10 percent of your pay to be transferred to a savings account automatically each payday. For eg. If at age 20 you had existing savings of \$1000 and you started adding \$250 a month, by the time you turned 30 you'd have saved over \$42,500, earning more than \$11700 in interest (approx. 6% p.a). But if you waited until you were 25 to start, you'd have only \$18,700 by age 30.

### Way to win: Lock in a high rate

By using a high-yielding savings account, you can earn 8% a year and achieve your goal much sooner.

## First Home Owner Grant Changes

The Australian Government has announced a First Home Owner Boost, which supplements the NSW Government funded First Home Owner Grant Scheme. According to the announcement from the Commonwealth:

- first home buyers who purchase established homes will receive a boost of \$7,000 that will double the grant to \$14,000
- first home buyers who build a new home or purchase a newly constructed home will receive an extra \$14,000 to take their grant to \$21,000.

## First Home Savers Accounts

First Home Saver Accounts are designed to help you own a house sooner, by offering a better way to save a deposit for your first home. Aspiring first home buyers can now take advantage of the government's new First Home Saver account scheme, which launched on 1st October 2008.

"First Home Saver accounts are a practical way for young people to save a bigger deposit for a modest first home."

### What is a first home saver account?

Offering a lower rate of tax on interest earned (similar to superannuation), and Government contributions to boost savings, First Home Saver accounts can help would-be first home buyers achieve their savings goal for a deposit on their first home sooner, bringing the dream of homeownership closer to reality.

### First Home saver accounts offer:

- **Bonus money from the Government** - Savings up to \$5,000 in a financial year are matched by the Government pitching in 17% on top. So for every \$1,000 saved you could receive another \$170 into your First Home Saver account, up to a maximum of \$850 each year.
- **Interest earned is taxed at a low rate** - Interest or earnings on the savings in a First Home Saver account are taxed at just 15%, not at your marginal tax rate like in a regular bank account or managed investment.

First home saver accounts have been designed by the government to provide a special way to save to buy or build your first home, by taking advantage of government contributions to your savings and a lower rate of tax on your interest or earnings. You can learn more about [how First Home Saver accounts work](#) and all the rules that apply, for instance savings can only be used to buy or build a home that you will live in (not for investment property), and only after you have saved for at least 4 financial years.

### Who is providing First Home Saver accounts?

From 1st October 2008, different types of financial institutions can offer first home saver accounts:

- **Deposit style accounts** - offered by banks, credit unions and building societies
- **Market-linked investment accounts** - offered by super funds, life insurance companies and friendly societies.

Some of the major banks along with several credit unions are already on board, and it's expected that super funds and others will also be offering First Home Saver accounts in the near future.



## Education tax refund legislation Introduced into Parliament

JOINT MEDIA RELEASE  
WITH  
THE HON JULIA GILLARD MP  
DEPUTY PRIME MINISTER AND MINISTER FOR EDUCATION

A key part of the Education Revolution is helping parents meet the costs of their children's education.

About 1.3 million families across Australia, with 2.7 million students, stand to benefit from the Education Tax Refund and get some much-needed relief from the costs of educating their kids.

Eligible families will receive a 50 per cent refund every year for eligible education expenses up to:

- \$375 per primary school child, per year
- \$750 per secondary school child, per year

Eligible families will be able to recoup the cost of key purchases for their children's education, including:

- laptops;
- home computers and associated costs;
- home internet connections;
- printers;
- education software;
- trade tools for use at school;
- school text books; and
- stationery.

**Families receiving Family Tax Benefit (Part A) with children in primary or secondary studies, or whose school children receive Youth Allowance or another relevant payment, will be eligible for the Education Tax Refund.**

The refundable tax offset will apply to expenses incurred from 1 July 2008. Families should keep their receipts for expenditure on these items from 1 July 2008 to enable them to claim the benefits through their tax returns at the end of the 2008-09 financial year.

Parents will then be able to claim 50 per cent of these expenses through their tax return.

Parents who do not normally lodge an income tax return can also claim the refund through the Australian Taxation Office.

## Our Contact Details

### Epping Office

Ph: (02) 9868 3900

Fax: (02) 9868 3700

PO Box 758  
EPPING NSW 1710

Suite 2, 123 Midson Road  
EPPING NSW 2121

[solutions@elitefinance.com.au](mailto:solutions@elitefinance.com.au)

### Toongabbie Office

Ph: (02) 9896 2166

Fax: (02) 9636 4652

PO Box 181  
TOONGABBIE NSW 2146

Suite 3, 27-30 Portico Parade  
TOONGABBIE NSW 2146

[toongabbie@elitefinance.com.au](mailto:toongabbie@elitefinance.com.au)

### Team Emails:

**David Harrison**

[david@elitefinance.com.au](mailto:david@elitefinance.com.au)

**Harry Yen**

[harry@elitefinance.com.au](mailto:harry@elitefinance.com.au)

**James Solomons**

[james@elitefinance.com.au](mailto:james@elitefinance.com.au)

**Sam Hasna**

[sam@elitefinance.com.au](mailto:sam@elitefinance.com.au)

**Christine Hallows**

[christine@elitefinance.com.au](mailto:christine@elitefinance.com.au)

**Chris Burrows**

[chris@elitefinance.com.au](mailto:chris@elitefinance.com.au)

**Nicole Wang**

[nicole@elitefinance.com.au](mailto:nicole@elitefinance.com.au)

**Cathy Johnson**

[cathy@elitefinance.com.au](mailto:cathy@elitefinance.com.au)

**Andrew Klajman**

[andrew@elitefinance.com.au](mailto:andrew@elitefinance.com.au)

**Anna Tat**

[anna@elitefinance.com.au](mailto:anna@elitefinance.com.au)

**Claudia Dodds**

[claudia@elitefinance.com.au](mailto:claudia@elitefinance.com.au)

**Cathy Ward**

[solutions@elitefinance.com.au](mailto:solutions@elitefinance.com.au)

**Vicki Wall**

[vicki@elitefinance.com.au](mailto:vicki@elitefinance.com.au)

## Medicare Levy Surcharge Thresholds Increased

The thresholds at which the medicare levy surcharge of 1% (of your taxable income) kicks in where you have not held appropriate levels of private health insurance have been increased.

Singles can now earn up to \$70,000 without requiring private health insurance to avoid the surcharge (up from \$50,000) and couples (and single parent families) can now earn up to \$140,000 (up from \$100,000).

The government plans include an increase to the thresholds on a yearly basis in line with wages growth (and not CPI).

**Quote of the Quarter:**  
*"Man's mind stretched to a new idea never goes back to its original dimensions".*

## Luxury car tax bill passes Senate

The federal government's luxury car tax increase finally passed parliament's upper house on Tuesday night after being heavily amended by cross bench senators.

The government's four bills seek to lift the luxury car tax, which applies to cars worth more than \$57,180, from 25 per cent to 33 per cent.

The bills were defeated in the Senate earlier this month after Family First Senator Steve Fielding sided with the coalition to vote it down.

However, the government resurrected the legislation after striking a deal with Senator Fielding to exempt primary producers and tourist operators from the increase.

Senator Fielding's amendment was approved on Tuesday night, against the wishes of the coalition.

A Greens amendment to exempt fuel efficient cars from the tax was also passed.

Under the Greens amendment, the tax would no longer apply to cars valued up to \$75,000 which use no more than seven litres of fuel per 100 kilometres.

Twenty five imported car models - including the Audi A4, BMW 3 series and Jaguar X-type - would be exempted from the tax altogether as a result of the change.

Greens Senator Christine Milne said the amendment was a victory for all Australians who wanted to drive greener cars.

"Having long advocated policies to reduce Australia's transport emissions and begin to prepare us for peak oil,

the Greens are delighted that the government has worked with us in the Senate to show that it is willing to move towards greener cars," she said. Coalition front bencher Eric Abetz said only about 1,500 of the one million cars sold in Australia each year would be affected by that change.

"Nobody could argue that this is going to have a serious impact on climate change," Senator Abetz said.

"Nothing but window-dressing.

The Senate also agreed to Senator Xenophon's request to apply a sunset clause to the tax's indexation to the controversial consumer price index for motor vehicles (CPIMV).

It also approved Senator Xenophon's request to ensure the increase would not apply to people who entered into contracts before the night of the federal budget in May, when the government announced its plan.

"You shouldn't be faced with a tax after the fact" Senator Xenophon said.

But the Senate rejected an opposition proposal to have the tax increase applied only to vehicles worth more than \$90,000. The deputy leader of the government in the Senate, Stephen Conroy, attacked that proposal.

"This is just another part of the raid on the budget surplus," he said.

Three of the four bills passed the Senate unchanged. The amended bill will now return to the lower house where the government will approve the cross bench changes.