



THE COUNT REPORT

01 More than a woman

04 The Outlook for 2010

05 More Australians choose financial resolutions

06 Who are the winners and losers when it comes to a rising Australian dollar?

07 Chairman's Report – The 'Great Big' Debate

08 Does your mortgage still fit your life?



Count

AUSTRALIA'S LARGEST INDEPENDENTLY OWNED NETWORK OF FINANCIAL PLANNING ACCOUNTANTS AND ADVISERS

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More than a woman

There have been a number of milestone events for women in Australia's history but unfortunately women are still behind in one key area – their retirement savings.

In 1902 Australia enabled all women to vote in Federal elections, in 1969 women were awarded 'equal pay for work of equal value', in 1984 Federal legislation was introduced to ban discrimination on the basis of sex and finally in 1999, the Equal Opportunity for Women in the Workplace Act came into effect to promote equal employment opportunity and eliminate discrimination in the workplace.

Indeed these changes have paved the way for gender equality in Australia. In 2008 there were almost 4.8 million women in the workforce with more than 30% of Australia's small businesses operated by women. Women accounted for 57% of the Australian public service workforce, holding approximately 36% of senior executive positions. Representation by women in the

Government is also growing, with 30% of members and senators being women in 2008.^{1,2}

While the above information indicates that we are moving in the right direction, **unfortunately women are still behind in one key area – their retirement savings.**

In an Australian pension review by Dr Jeff Harmer in 2009³, it was revealed that women account for 57.4% of total age pensioners, furthermore women made up 71.8% of single age pensioners.

The Harmer review highlighted that women generally had less superannuation savings than men and relied more heavily on the age pension in retirement.



(Continued from page 1)

A number of factors account for this:

1. Earlier age of retirement

Until recently, women were able to access the age pension five years earlier than men, resulting in a shorter working period to accumulate assets. The male-female pension entitlement gap is slowly closing to a consistent age of 65 to be shortly increased to age 67 by 2017 for those born after 1 January 1957.

2. Life expectancy and relationship status

Women have a longer life expectancy than men, subsequently they are more prone to be reliant on the age pension for a longer period than men, and are more than likely to have their partner pre-decease them. Widowhood and divorce are two major threats that impact retirement lifestyles, this risk is sometimes compounded for women who may not be the family breadwinner or who are dependent on their spouse for major financial decisions.

3. Working patterns

On average women have less engagement with the labour market than men. Many women carry responsibility for unpaid caring and domestic work, additionally women are more likely to have broken patterns of workforce participation due to child birth and time taken to raise children.

4. Lower superannuation balances

The Harmer review found that men have considerably greater levels of superannuation savings than women across different age categories of the population. By law all employers are required to make compulsory superannuation contributions of 9% for most employees, and, as previously highlighted, the working patterns for women will directly impact superannuation savings. Income is the key function of superannuation savings. While middle earning women have accumulated superannuation more closely aligned with men, it is the women who are in the lower earnings range (e.g. those on part time employment) who are disproportionately represented.

With the ageing population in Australia growing, the Federal Government has been busy of late sanctioning a number of reviews to investigate the adequacy of Australia's three-pillar retirement income system – comprising of the age pension, compulsory savings via the superannuation system and voluntary superannuation saving. The focus for the age pension is sustainability, and this is clear in both the short and long term changes released in the 2009-10 Federal budget such as changes to income tests and an increased pension age. Equally obvious, is the Government's attention to and focus towards greater reliance on the two self funding oriented pillars for retirement.⁴

What can you do?

The obvious response is to plan for your retirement planning and start saving early.

The effects of compounding are easily demonstrated in the following example. Mary and Peter start working at the age of 21 and retire at age 65. Mary read this article and then with the assistance of her Count Adviser, commenced a savings plan of \$2,000 p.a. from age 21-30. Peter also commenced a savings plan of \$2,000 p.a., however he did this from age of 31-65.

Assuming a net return of 8%, Mary will accumulate \$470,609 and Peter accumulates \$365,415. Even though her saving time horizon is half that of Peter's, Mary accumulates \$105,194 more at retirement.

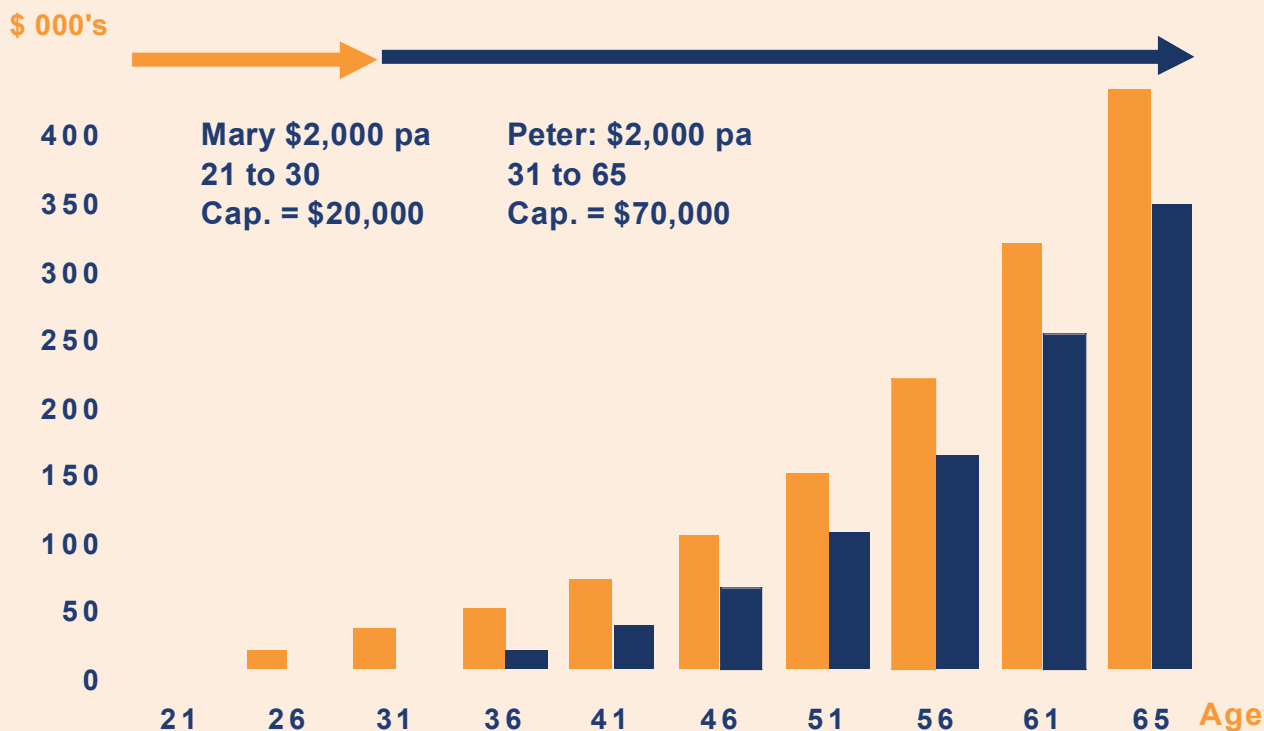
While the decision to take action must be made by you, your Count Adviser can help you accumulate retirement savings in a tax efficient manner inside and/or outside of superannuation. Whether your income is high or low, there are a number of Government incentives to help you grow your wealth. Contributions to superannuation may be 'rewarded' with tax deductions, offsets or the Government co-contribution.

No retirement plan is complete without considering your wealth protection needs.

Ensuring you and your family are protected in the event of illness, injury or death of a family member is just as important as taking an active role in saving for retirement. Speak to your Count Adviser about arranging wealth protection for you and your partner. It would also be prudent to consider your estate planning goals.

While the factors discussed above concern women, this issues will directly or indirectly affect all Australians.

1,2 - <http://www.dfat.gov.au/facts/women.html>, <http://www.dfat.gov.au/facts/women.pdf>
 3 - Harmer, J (2009) Pension Review Report, 27 February 2009
 4 - Treasury (2009) Australia's future tax system - The retirement income system: report on strategic issues



The Outlook for 2010

2010 is likely to see the economic recovery continue and become self sustaining. This will underpin gains in most growth-orientated investments.



Shane Oliver, Head of Investment Strategy & Chief Economist - AMP Capital

In direct contrast to the doom and gloom of a year ago, the outlook for 2010 is reasonably bright. The aftershocks from the global financial crisis – such as high unemployment, periodic debt blow-ups (such as Dubai and Greece) and constrained bank lending – will linger. But as 2010 progresses, the global recovery is likely to become increasingly self sustaining. In this regard the key themes of relevance for investors in 2010 are likely to be:

A self sustaining economic recovery

Leading economic indicators point to continued growth over the year ahead. But most importantly, signs that labour markets are starting to turn the corner – notably in the US – suggest the recovery is on its way to becoming self sustaining. In other words, fiscal and monetary policy has primed the pump and the private sector will now take over. 2010 is likely to see global growth of around 4% (up from -0.8% in 2009, which primarily reflects the late 2008/early 2009 slump).

Stronger growth in the emerging world

Thanks to stronger domestic demand and less in the way of structural constraints such as debt and demographics,

growth in the emerging world is likely to be 7% compared to around 2.5% in advanced countries in 2010. China is likely to grow by 10%, India by 8% and Brazil by 6%.

Benign inflation

Inflation lags economic activity because it reflects capacity utilisation, which is below normal well into an economic recovery. This time is no different except that excess capacity is greater than normal, with the result that underlying inflation is likely to continue to fall in the year ahead.

A gradual move to wind back the stimulus

Along with the economic recovery there will eventually be pressure to wind back budget deficits and raise interest rates. Talk of higher interest rates and uncertainty about how aggressive the wind back will be, will no doubt fuel occasional corrections in asset markets over the year ahead, particularly those markets that have particularly benefitted the most from low US interest rates. Namely, emerging markets, commodities and commodity currencies – much as occurred in 2004 when the Federal Reserve last moved to tighten. However tightening will be a very slow process in advanced countries, given the memories of premature tightening in the US in the 1930s, still very high unemployment, and falling underlying inflation. Global central banks will first move to unwind the liquidity stimulus before starting to raise interest rates during the second half of 2010. Interest rates will still be very low by the end of 2010 – maybe around 1.5% in the US. China is likely to move a bit more aggressively to tighten, but it is not dependent on stimulus measures.

Australian economic growth to rebound but underlying inflation to slow

The rebound in business and consumer confidence, a housing construction recovery, numerous mining projects, and increased public infrastructure spending are expected to underpin GDP growth of around 4% through 2010. This is likely to see unemployment return to around 5.5% by year-end. Inflation is likely to be 2.5% thanks to a combination of global excess capacity and the impact of the strong \$A. While the Reserve Bank of Australia will continue to raise the cash rate, the process is likely to be gradual, taking it to around 4.75% to 5% by year-end with low inflation and additional increases in bank lending rates stopping a more aggressive rise.

More Australians choose financial resolutions

You might have celebrated the festive season well, but financial anxiety can stay around long after the wrapping paper and wine bottles are gone.

More Australians each New Year, decide to make smart resolutions to become more financially secure. Receiving that first credit card bill of the year is hard proof of all the spending we have done over the holiday season. At least more people are taking advantage of the New Year for a financial 'health check'. Putting your finances in order will not only help you get on top of your debts and save more money but also help effectively plan for the future.

So how can you make some positive changes to your financial 'health' this year?

Here are some all-year-round tips to make sure you stick to your financial resolutions:

Pay off the 'bad debt' on your credit card – It might be hard to do without life's luxuries, but spending money on depreciating assets won't increase your wealth, and it might even cost you more in the long-term.

Set up an automatic savings plan - Have part of your pay automatically deposited into an investment, such as a managed fund, each month. It is a lot easier to save money you don't see. This system will build up a savings pool for those unexpected emergencies and short-term goals.

Set goals for the year ahead and longer-term –

Whether you want to pay off your home, buy a new car or save for a holiday, setting goals is the first step towards achieving your dreams. Once you have goals, put a plan in place to achieve them.

Implement a tax-effective investment strategy –

The sooner you start a wealth creating investment plan the better, however, review your tax position carefully. Some investment strategies are more tax effective than others, so it's worthwhile speaking with your Count Adviser. Investing in super, targeting Australian shares, or gearing are examples of tax-effective strategies, but whether they are suitable will depend on your individual circumstances and tax position.

Review your superannuation - Whether you are near or far to retirement it is never too late to seek advice about how you can improve your position.

Guard your assets – Despite insuring our car or home we often forget about our most valuable asset, our income. Income Protection Insurance covers up to 75% of your gross income if you are injured or ill and unable to work, plus the premiums are generally tax deductible.





A rising Australian dollar is great for anyone travelling overseas but who are the winners and losers when it comes to a rising Australian dollar?

The strong Australian dollar is one symptom of an outperforming Australian economy. Since January 2009, the Australian dollar has risen against most major currencies, in particular the US dollar, British pound, Euro and the Japanese yen.

There are two main reasons behind the rapid rise of our currency – our economy has outperformed other advanced economies and our official interest rates are higher than most other countries. This has attracted foreign investment because it provides attractive investment returns. As you can see from the graph below, this caused the Australian dollar to rapidly appreciate against the British pound and US dollar over 2009.

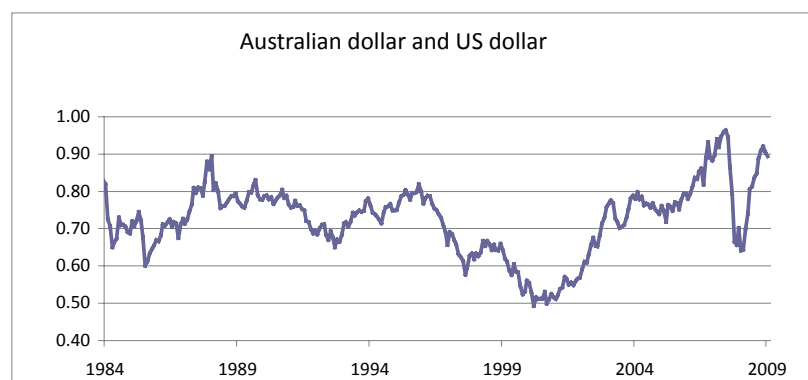
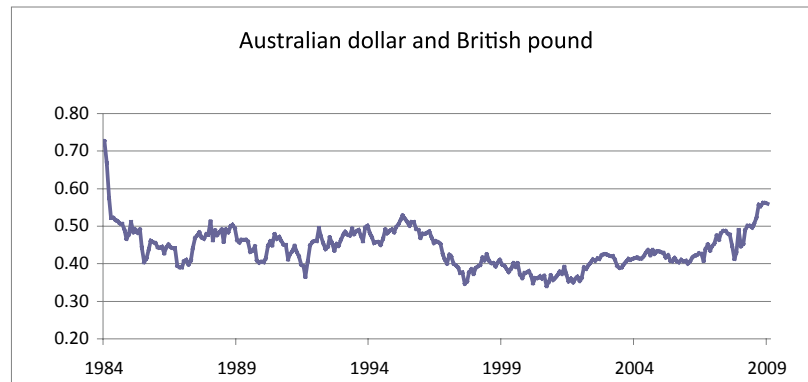
The rise of the Australian dollar is good news for those of us who want to travel overseas. You can receive more foreign currency for every one Australian dollar. A higher Australian dollar also makes imports cheaper, helps place downward pressure on inflation and might help contain official interest rates for longer.

On the flip side, the high Australian dollar makes our exports more expensive. Companies that sell goods and services offshore will find it harder to export when the Australian dollar is high. The good news is that at the moment a large share of our exports should still be able to be sold at high prices, given the strong demand from countries like China and India. However, it does hurt other traditional sectors of the Australian economy like manufacturing, tourism and agriculture. If investment switches from these traditional sectors to mining and energy then we run the risk of losing key skills and jobs in the Australian economy.

When the Australian dollar is rising, investments in global shares are lower in Australian dollar terms versus foreign currency terms (usually the US dollar).

The converse is also true – when the Australian dollar is falling, global share returns are higher in Australian dollar terms. This outcome is why some investors prefer to invest in hedged products, to help protect against changes in the Australian dollar.

If you are concerned about how the rising Australian dollar is affecting your investments, speak to your Count Adviser about the options available to you.



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BARRY MARTIN LAMBERT

Chairmans report: The 'Great Big' Decade

Welcome to 2010 and the 'Great Big' decade. New Opposition Leader, Tony Abbott coined the phrase – 'Great Big New Tax' when referring to the proposed Emission Trading System (ETS) – I will come back to that, but we are certainly in for some 'Great Big Shocks'

In response to the 'Great Big' Global Financial Crisis (GFC), the Government, to their credit, took early and decisive action in the form of the 'Great Big' hand-outs (stimulus) which has meant we have avoided a 'Great Big' recession that most of the Western World has experienced. Unfortunately, our ensuring economic good fortune has resulted in the Reserve Bank of Australia (RBA) increasing interest rates and we are likely to see some 'Great Big' rises in 2010 and beyond as the banks make 'Great Big' profits.

The GFC is improving, but is far from over. The Government has to compete against other borrowers, business and home buyers to fund its 'Great Big' deficits. This could result in the banks aggressively increasing their deposit rates so they can secure more of their funds from within Australia and rely less on overseas funding. This means we are going to see interest rates rise irrespective of the RBA's decision. We saw this happen in December 2009 and we are likely to see more of it, as banks compete for deposits. The banks are not backward about maximising profits by increasing their margins as they have no real competition from the regional banks now that CBA has acquired BankWest and Westpac has acquired St.George. So rising interest rates in 2010 will not only be a result of the GFC and the success of our 'Great Big' stimulus, but it will be boosted by the banks maximising their profits.

In 2010 we will also learn how the Government will respond to the Henry Tax Review. Based on their proposed 'Great Big' Tax (ETS) to help combat climate change, we can expect significant changes to our tax system in this decade. With a Federal election due in late 2010 we are unlikely to get too many nasty changes this year. Hopefully the system will become both simpler and fairer. Unfortunately that may disadvantage some taxpayers in regards to the tax treatment of capital gains and negative gearing of investments. Investments that rely upon high gearing, negative gearing and lower tax on capital gains are likely to be targeted. More than ever, 2010 will be a year to keep in touch with your Count Adviser.

With our house prices amongst the highest in the world when compared to our income, there is a danger we might get to our own crisis in this decade.

Now for some good news, readers who are Count shareholders, you can look forward to receiving an entitlement to invest in the float of Countplus in late 2010 – the year won't be all bad!

Barry Lambert
Executive Chairman and Founder
Count Financial Limited

Does your mortgage still fit your life?



Even though interest rates are rising, opportunities still exist. More than ever it is important to choose the right loan. With hundreds of loans to choose from, how do you know which one is best for your situation?

If you are concerned about finding the right mortgage to suit your situation, make sure you speak to your Count Adviser to get the best advice on a loan that meets your needs.

HEAD OFFICE: Level 19, 1 Alfred Street, Sydney NSW 2000. **P** 1800 026 868. www.count.com.au

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