



PRESCOTT FOCUS

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AGE-OLD STRATEGIES BEST FOR INVESTING THROUGH THE AGES

Investors at all stages of life need to understand there is no 'get rich quick' formula and that the age-old 'considered' approach to investment provides the best results.



Principal of Prescott Securities, Mr Nick Loxton said no investor, from Generation X, Y and Z to baby boomers and retirees, likes losing capital and all want maximum growth and high returns. Yet these goals can be overshadowed by different priorities.

"It is great to see a lot of young people who are enthused by investing and spend a lot of time accessing information on the Internet," Mr Loxton said.

"However, some information can be dangerous for Generation X, Y and Z investors, as this age group is more susceptible to react to market noise with the hope of achieving rapid portfolio growth.

"In order to avoid confusion and risking significant capital loss, young investors should consult a financial planner to discuss what options are best for their individual circumstances and goals."

Mr Loxton said "generally people become serious about investment once their children have left home and the mortgage has been paid off".

"We have found that baby boomers and retirees place great importance on constructing a share portfolio that provides high income and dividend yield. Increasing numbers of mature age people

are basing stock selection on the companies boasting the biggest dividend payouts, relying solely on dividend payments to fund their lifestyles.

"But what if the dividend is not sustainable?"

"They need to take the time to thoroughly research their options, and invest in companies that demonstrate sound management, conservative debt levels, quality of business and recurring earnings to ensure steady portfolio growth. Patience pays off and all investors need to take a considered view and have a clear strategy.

"Investors need to spend time researching good quality sustainable businesses and purchase shares at good prices.

"Investors should be reminded that over long periods of time, around half the return comes from income and half from growth. It is also essential to regularly review portfolios to ensure they remain relevant to individual needs.

"Investors need to carefully consider how a career change, starting a family, purchasing big ticket items, further study, downsizing, renovations and any other major life changes will affect their short, medium and long-term lifestyle goals, as well as their overall investment strategy.

As quoted in the Sun Herald and Sunday Age

RISKY BUSINESS DANGERS OF DABBLING IN DERIVATIVES

Investors dabbling in derivatives for higher returns are setting themselves up for a fall.



Prescotts Securities has warned investors not to flirt with these high risk investments where the odds are "stacked against them".

Chief Executive, David White said exchange traded options, warrants, contracts for difference, futures and short selling were recipes for disaster for the average retail investor.

"Prescott Securities has resolutely refused to include such products on our recommended list," he said.

"Buy and write options strategies and stop loss orders for shares also have their flaws.

"These products and strategies don't fit our investment philosophy or our clients' circumstances.

"We have found that clients who flirt with such strategies consistently do so to their financial detriment."

Over the past year the All Ordinaries Index has traded in a comparatively narrow band between 4400 and 5000, yet within that range it has been characterised by unsettling and continual volatility.

"Faced with this market backdrop, too many advisers and commentators have prematurely announced the death of 'long only' investment – the conservative long term accumulation of quality investments," Mr White said.

"This is a false perception. In these volatile times, long term accumulation of quality assets has become an even more prudent strategy.

"Our combined experience confirms that strategies promising to consistently make

money in rising and falling markets are errant nonsense and should be ignored.

"People employ high risk strategies when they think they know how the market is going to behave.

In practice they will never consistently pick short term market movements."

Mr White said the tough period for financial markets had brought with it the inevitable reemergence of so-called experts looking to take advantage of investor sentiment.

"As it was post the 1987 stock market crash, these snake oil salesmen are out in force, promising easy profits," he said.

"But in almost every case, the figures don't add up. It is worrying to hear of investors turning to exotic strategies they don't comprehend on the promise of spectacular returns.

"This is one of the most dangerous periods for investors who jump at the first false prophet promising the world.

"By adopting high risk short term strategies you are limiting your time in the market and gambling on volatility. It's madness.

"You are competing against the most experienced, resourced and skilful fund managers in the world in a zero sum game where someone must lose.

"In reality all investment returns come from long positions.

"The simple and proven strategy of buying a quality asset and eventually selling it over the longer term may not be exciting, but it works."

As quoted in the Financial Review and News Ltd Online

ARE YOU GETTING ALL THE INFORMATION YOU NEED?

At Prescott Securities, we are often holding educational seminars or providing information on issues around investment and associated issues relevant to the financial futures of individuals and families.

Should you not be receiving email communications on these, then please email info@prescottsecurities.com.au and ask to be placed on our communication list.

Or better still, call us and make a no obligation appointment with one of our highly experienced advisers to discuss your specific circumstances.

Alternately, check out our website, prescottsecurities.com.au on a regular basis to find out more about us and the services we offer.

PREVENT A TRIP DOWN THE AISLE ENDING IN A FINANCIAL SLIP

A financial bust-up can be avoided by establishing a financial plan that will take newlyweds well beyond the honeymoon period.



Prescott Securities Financial Adviser, Mr Alex Butler offers the following tips to ensure a trip down the aisle ends in financial security:

1. Don't wake up to a wedding hangover

"Today's average wedding costs approximately \$50,000," Mr Butler said.

"Unexpected, last minute wedding costs are often lumped on a credit card to be dealt with after the big day, meaning that many couples wake up to married life with a large financial hangover.

"Credit cards accrue the highest amount of interest, so pay off all wedding debts as soon as possible, prior to setting longer term goals."

2. Budget for your future

"Newlywed couples need to be honest about their finances, plan their financial future together and agree on a savings plan," Mr Butler said.

"Carefully consider short, medium and long-term lifestyle goals, and any major life changes that may impact upon income or require financing over the next 30 years.

"For example, consider how a career change, starting a family, purchasing big ticket items, investments, further study, downsizing and renovations would affect income.

"Some changes may require savings while others may generate cash surpluses, so it is important to be prepared.

"A financial adviser can help to develop a plan that is tailored to specific circumstances and goals for the future."

3. Keep the flame alive by extinguishing debt

"If a couple is looking to buy a property, it is important they don't over-commit themselves with their home loan," Mr Butler said.

"Look for a flexible home loan product that gives the freedom to make additional voluntary repayments as it will allow the loan to be repaid faster and extinguish the debt sooner."

Mr Butler also said that making extra repayments can save more money than depositing funds into a dedicated savings account.

"As the interest on a home loan is often higher than the interest paid on a savings account, any additional repayments off a home loan will reduce loan principal and the amount of interest a home owner will be required to pay," Mr Butler said.

"If the loan has a redraw facility, these extra funds can be accessed as future lifestyle and investment choices present themselves."

4. Ensure you are insured

"A married couple is a team and each member has a responsibility to each other," Mr Butler said.

"No one is immune to financial difficulties, and should the unthinkable happen to one, it is likely to affect both. Insurance is an essential part of life, and having appropriate policies in place can assist a couple to protect their home, possessions and ability to earn an income.

"Life, disability, trauma and income protection insurance are some key options that can help safeguard wealth and the ability to achieve goals, and should be a priority in personal financial strategies.

"While young home owners often look for ways in which to minimise costs when buying a property, cancelling or not having insurance policies should be a last resort.

"Having some insurances inside superannuation may help to alleviate the burden on your cash flow. A risk specialist can help to assess whether this is an option for you.

"The worst possible time to be exposed to risk is when money is tight. Adequate insurance secures a family's standard of living, assets and lifestyle if a salary earner is prevented from working or earning an income."

5. Review your Superannuation and estate planning

Mr Butler said it is important to understand that superannuation isn't an asset dealt with in your Will.

"It is recommended that newlyweds review their superannuation policies and consider how their death benefits will be distributed," Mr Butler said.

"Many young people do not pay enough attention to their superannuation and consider it to be unimportant and irrelevant to their current lifestyles.

"However, you have to remember that there can be significant sums of money involved as well as insurance benefits on top of your superannuation balance.

"When people get married, they need to review their superannuation nominations to ensure they cater for their dependants. As people are often single when they establish their first superannuation account, it is unlikely that their new spouse would be nominated.

"This can create some complicated estate planning issues, so it is important for newlyweds to review and update their estate planning. It is also important to make sure Wills, Powers of Attorney and Medical Powers of Attorney are in place.

"Marriage will invalidate most existing wills, meaning that legislation would then determine how their estate is distributed."

As quoted in the The Advertiser, Herald Sun, Courier Mail, Daily Telegraph and Hobart Mercury

PRIMARY PRODUCERS INVESTMENT OPPORTUNITIES

Primary producers should look beyond the farm gate to secure their wealth.



Prescott Securities' latest report for the agricultural sector suggests farmers shift their focus off-farm and weigh up a range of possibilities on where surplus funds can be employed.

Prescott Securities Financial Adviser, Mr Alex Butler, said that now is the time for farmers to review their investments.

"Unfortunately, many farmers tend to consider their farm as their superannuation and invest all profits from periods of prosperity back into the farm, making them 'asset rich but cash poor'.

"This makes a big difference to how their retirement pans out and often means that the farm can't be passed on to future generations at the same time as funding a reasonable lifestyle for retired parents.

"Farmers need to adhere to a well-designed business plan that considers the four key investment opportunities for primary producers - repayment of debt, farm improvements, acquisition of more land, and off-farm investing.

"Off-farm investing should be an integral part of the plan to ensure you don't overcapitalise on your farm and it also provides great alternative tax planning options. There are a range of issues to consider including income, tax losses, retirement, diversification of assets, major farm and non-farm expenditures, liquidity, risk management, life insurance and the estate.

Mr Butler said that an overall business plan should be co-ordinated by an accountant, but the development of off-farm financial strategies should be ongoing and done in conjunction with a wealth manager with long term experience in servicing primary producers."

Mr Butler said there is a range of off-farm investment options available to farmers, including:

Superannuation

"External superannuation lifts a considerable financial burden from the farm by providing separate retirement capital, substantial tax concessions, accumulated funds in a tax sheltered environment, and is a tax efficient form of forced savings," Mr Butler said.

Farm Management Deposits

"Farm Management Deposits (FMDs) are accounts run by the major banks whereby primary producers receive a tax deduction for deposits.

"The money becomes taxable income on withdrawal so a good strategy is to coincide withdrawals with poor years or superannuation contributions."

Fixed interest Investments

"The best avenues for earning interest are term deposits, government bonds, debentures, mortgages, fixed rate superannuation and rollover accounts.

"Look to obtain the best rate of interest available from borrowers who will always be able to pay the interest and repay the capital."

Shares

"Buy shares in companies which have good products, market presence, long term futures and offer a reasonable price. A sound plan is to have 70% to 90% of the share portfolio in long term growth stocks and to use the remainder for short term trading opportunities."

International Shares

"Investment in overseas-based companies is an important part of effective wealth management to increase diversification, reduce volatility of an investment portfolio, and provide potential for additional growth."

Property

"Properties offering good tenants capable of paying the rent now and in the future, a location that is in demand, potential for increasing the rental rate, and high levels of tax free and tax deferred components are ideal."

A copy of the report can be found on the Prescott Securities website, at www.prescottsecurities.com.au

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