

# PRESCOTT FOCUS

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## BECOME AN EMPLOYER OF CHOICE

Businesses face numerous challenges daily. How these challenges are tackled defines the success of the business both now and well into the future.



In tough economic times, businesses can feel as though they are being left behind in an ever changing world.

One growing challenge is that of staff recruitment and retention. Despite the current climate, Australia is facing a skills shortage. With a rapidly ageing population, net annual migration falling and the pressure of high wages from a resource boom, it's no wonder that this is a struggle. Attracting and retaining the highest quality employee has always been a difficult task however, current conditions are making it even harder.

Although there are a number of possible solutions, such as importing more skilled labour and technological advancements, the simplest and cheapest option for a business is to become an employer of choice.

In a tight employment market, the employer who stands out and offers more than just a 'great place to work' will gain and retain staff. With the rise of social media, employees are becoming much more attuned to whether an organisation practises what it preaches. Not only do employees want a great working environment but they are also looking for flexibility, new opportunities, an exciting culture and value-adds.

One point of difference is to assist key staff achieve their life goals by providing targeted and meaningful fringe benefits. To achieve this, an employer must first understand what motivates the different generations represented in their workforce.

A recent example of a targeted benefit is the use of Transition to Retirement Income Stream strategies. This can be either a tax effective means of accumulating superannuation assets after age 55 or a way to transition to retirement at a pace agreed on by employer and employee.

Helping staff with their financial security does not have to be an expensive exercise for employers and may involve:

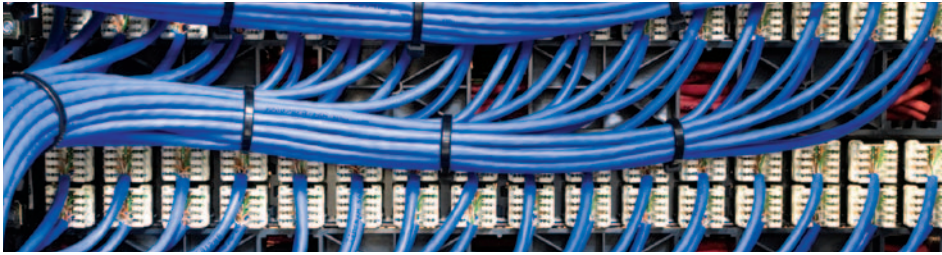
- Providing employees with specialist financial information and making in-house training courses available;
- Individual counselling and help to establish a long term financial plan;
- Making ongoing financial advice available to key staff; and
- Providing cost effective group insurance solutions to staff.

Employers able to demonstrate a holistic approach to their employment offering will no doubt be the winners in the war for talent.

Please contact our Corporate Services Team to discuss how we can help your business address these issues.

## CRISIS CREATES OPPORTUNITY FOR INVESTORS

Today's investor has extraordinary access to financial market information.



Dedicated TV channels, internet media, podcasts, webcasts, mobile phone news feeds as well as good old newspapers (if you don't mind waiting until tomorrow) bombard investors constantly. Curiously, this doesn't make investing any easier, even for those who want to spend a lot of time doing it.

It is no wonder that many investors feel pretty worn out by the constant flow of information. One day there is good news and the next day there is bad news. The media revel in misfortune and it would be easy to find investing in cash and term deposits an attractive option. However, we think selling all investments and going to cash is a really bad idea.

\$100,000 invested in term deposits 25 years ago would now be paying around \$6,000 of interest per annum and still only be worth \$100,000. However the spending power of that investment would have been eroded significantly by inflation over the 25 years. 100 grand just doesn't buy what it used to!

If the same \$100,000 was invested in National Australia Bank shares the investment would be paying around \$40,000 per annum in dividends and would be worth nearly \$600,000. It's not as if the last 25 years have been easy – they have not.

The recession we had to have was twenty years ago, followed by the property crash of the early 90's, the bond crash of the mid 90's, the Asian and Russian debt crises of the late 90's, the tech wreck in the early 2000's and, of course, the Global Financial Crisis itself.

The lesson investors can learn from this example is that buying good quality investments for the long term, with income

that is likely to grow over time, is a great formula for successful investing. And right now, because everyone is feeling depressed, many good quality investments listed on the share market are being sold at very low prices. Waiting for shares to be popular again before investing will mean giving up most of the incredible investment opportunities that exist right now.

Many of Australia's best companies are paying dividends at higher levels than bank term deposit rates. You don't need to sacrifice income in order to take advantage of the fire sale prices on offer. What's more, dividends in many companies are projected to rise, fuelling and supporting the future growth in share prices.

It isn't easy taking advantage of the dislocation of share prices that currently exists. It will take some discipline, patience and some skill in selecting investments that are of high quality. If you are unsure what constitutes a quality investment, then be sure to seek advice from an experienced adviser.

There are always risks involved with investing. However for many Australians the risk of short term share market fluctuations is much less than the risk of not having enough to live on in retirement.

It is easy to feel like investment markets will never improve after a few tough years. However through the depressions, recessions, droughts, wars and financial crises of the last 100 years the share market has always rebounded and this time will be no different.

*Darren Wright*

## 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](mailto: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](http://prescottsecurities.com.au) on a regular basis to find out more about us and the services we offer.

## SELF MANAGED SUPER FUNDS – WHAT ARE YOUR BEST INVESTMENTS?

Self Managed Super Funds (SMSFs) give Australians a greater say in how their super is invested, but choosing the right investment is critical.



SMSFs are the fastest growing segment of the superannuation industry, experiencing recent growth of around 10% per annum. Currently there are more than 450,000 SMSFs in Australia controlling approximately \$400 billion of assets for 830,000 Australians.

“Although the performance of industry and retail super funds has bounced back since the global financial crisis, Australians are wanting to become more involved in how their retirement funds are invested, as ultimately it is performance that will determine the level of cash flow in retirement,” says Matt Loveder, Financial Adviser at Prescott Securities.

“Investors often turn to SMSFs for greater control and transparency over their super assets whilst enjoying the many tax concessions that can apply. However, this can be time consuming, and Trustees are legally responsible for all decisions. Penalties for mismanaging a fund or a compliance breach can be high.

“It is important to consider a blend of investments that minimises any potential risks, avoiding the “all eggs in one basket” approach. The demographic of the investor is also important, as the risk appetite of a 30-year-old person may be quite different to someone who is 60.”

### According to Prescott Securities, popular investment options for SMSFs include:

- a) Well established ‘blue chip’ Australian businesses that have predictable cash flows and solid market brands such as banks, major supermarket chains, insurance firms and quality resources and energy companies;
- b) Quality offshore-based businesses with exposure to emerging markets;
- c) Term deposits, which are a low risk option. However, investors should take note of maturity dates and have a mix of term deposits to ensure they can capitalise on interest rate changes.

The Australian Tax Office reported that in 2009/10, over \$110 million was invested in cash and term deposits, approximately 28% of all SMSF assets.

“Investors must be aware that SMSF investments need to meet the sole purpose test. This means that any assets are purchased with the ultimate goal of providing retirement income,” said Mr Loveder.

“The purpose of superannuation is to ensure you are more financially secure in your retirement. Setting up an SMSF is not designed to allow people early access to their money, or to buy items such as holiday homes that can be used for personal, not investment purposes.”

Mr Loveder recommends seeking financial advice when considering exotic type investments or properties as part of the SMSF’s investment mix.

Exotics is the industry term for items such as wine or fine art, and potential investors need to be careful how these assets are utilised.

Having art on display in a private home is likely to contravene the sole purpose test as the investor is gaining an immediate benefit from that investment, albeit an aesthetic one. Penalties for such breaches can be severe, so investors should be wary.

“Investors wishing to use a combination of superannuation funds and borrowed monies through a bank loan to purchase an investment property as part of their retirement portfolio must also tread carefully. If you can buy a property outright without funding requirements, the process is far simpler, but a good understanding of the property market is essential.

“SMSF’s are becoming a popular option for more Australians. The key benefit is helping investors to engage more with what their retirement money is doing and this can only be a good thing,” said Mr Loveder.

“However, there are considerable responsibilities on Trustees to properly manage the fund and the cost of getting it wrong, either through non compliance or poor investment choices, can be high.

Consulting a Financial Adviser before going down this path is advisable.”

## THE REAL VALUE OF YOUR PERSONAL INSURANCE PREMIUMS AND YOUR ADVISER AT CLAIM TIME

When buying personal insurance, whether it's income protection or life insurance, what are you actually buying?



Although we all hope we will never suffer a serious injury or illness, what we are actually buying is a claim. If we truly believed that we would never claim then we would not buy an insurance policy ... it's that simple.

Many clients pay their insurance premiums year after year and it is not until they need to make a claim that the real value of their premiums and their insurance adviser becomes evident.

Your insurance adviser needs to ensure that you are not only adequately insured and have quality contracts in place but it is vital that your adviser is there for you when you need them the most, when you are sick or injured and need to make a claim.

Your insurance adviser must be there for the long haul and play a pivotal part in the claims process, managing a claim on your behalf from beginning to end.

There is a public perception of life insurance providers with the general opinion being that they will try anything to avoid paying a claim. Bad press over the years has caused a lot of distrust when it comes to life insurance companies and advisers. What the media do not report is the part life insurance plays in the lives of thousands of people every year when they need to claim.

In 2010 the Australian insurance industry paid out \$3.5 billion in retail claims to over 60,000 people, protecting family lifestyles, their assets and their businesses from the devastating effects of death, serious illness and injury.

The personal risk insurance team at Prescott Securities Limited performs a very unique claims service within the insurance industry and this service has confidently given us a competitive edge and respected reputation in the market.

With the understanding that our clients can be significantly disadvantaged if we do not take a strong interest in their claim, our risk advisers take a personal and immediate approach to assisting clients with their claims. A dedicated team member manages both group and retail claims in an administrative capacity.

With the above figures in mind, you can feel confident that should you need to claim, we will be there to make the claim process as smooth and hassle-free as possible.

*Suzie French*

### 2010 Claims paid by product type

PRODUCT	TERM LIFE	TPD	TRAUMA	INCOME PROTECTION	TOTAL
\$ amount paid	1,629,150,468	460,930,853	443,736,522	1,033,831,983	3,567,649,826
Number of claims	16,173	5,477	2,531	37,093	61,274

Figures do not include large amounts paid from superannuation funds or group insurance\*

Statistics provided by The Risk Store 2011

\*These statistics are the aggregate from the following companies: AIA Australia; AMP; Asteron/Suncorp; Tower; Zurich; BT; Macquarie; OnePath; CommInsure; AXA; MLC

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