

PRESCOTT FOCUS

SUMMER 2010/11

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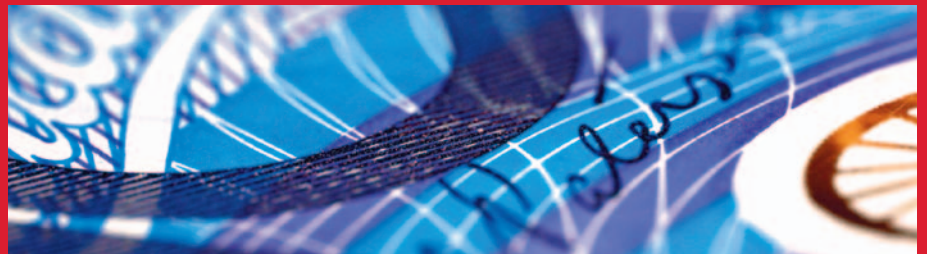
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You can't afford to be without it

TEN BEST INVESTMENT IDEAS FOR 2011 PRESCOTT SECURITIES

Investors are being urged to send their cash back to work in 2011 but to avoid the "snake oil" trading strategies re-surfacing that promise quick and easy returns.



National stockbroking and financial advisory firm Prescott Securities has just released its Ten Best Investment Ideas for 2011 report.

Prescott Securities' Principal David Middleton said the investment environment was now ripe for wealth creation with many quality assets still undervalued.

"In the past 20 years there hasn't been a better time to invest than right now," Mr Middleton said.

"Many companies are recording record profits and yet their share prices remain undervalued. The high Australian dollar also makes international investing far more attractive than in previous years.

"However, high risk trading strategies are coming back out from the shadows promising the world. Investors should avoid being seduced by anything that sounds too good to be true.

"The key is to keep it simple. There's no substitute for good information and research, a well disciplined process and patience to achieve outstanding medium term results."

Prescott Securities' Ten Best Investment Ideas for 2011 are:

- 1 Start putting your cash to work
- 2 Keep it simple
- 3 Don't overdo China
- 4 Choose Australian companies with strong and growing local demand
- 5 Energy is different, especially gas
- 6 Cash on the balance sheet
- 7 Mergers and acquisitions – the targets are small
- 8 Real Estate Investment Trusts
- 9 International investing will pay off
- 10 Lock in your tax haven

Seminars

Prescott Securities will be holding seminars on its Ten Best Investment Ideas in 2011. See inside for more details or visit the website.

Further Information

For your copy of the Ten Best Investment Ideas for 2011, visit www.prescottsecurities.com.au to download. Alternatively, contact your local office to request a copy.

A FLIGHT TO CASH COULD IT BE THE RISKIEST INVESTMENT DECISION YOU MAKE?

Pursuing an investment strategy to match a perceived risk appetite is a risky approach.



Prescott Securities' Financial Adviser, Alex Butler said that when longer term investment strategies apply, common sense does not always mean an aversion to risk.

"Investment strategies should be designed around immediate and future cashflow needs, first and foremost," says Mr Butler.

"It is a curiously antiquated idea that investment portfolios should somehow reflect the personalities of their owners.

"Whether investors consider themselves pessimistic or optimistic, conservative or risk-takers, the same longer term investment strategies should apply.

"Questions to take into account are when you access lump sums from your investments or generate an income stream from your portfolio to provide enough income for your lifestyle.

"Investors need to consider the income generated from their investments, such as dividends from shares, rent from property and interest from cash instead of focusing entirely on capital movement which only makes up a portion of your total return.

"When investing, the biggest risk is loss of capital. People who ignore particular markets due to an ill-conceived aversion to risk forgo excellent opportunities that carry little, if any more risk than leaving money in the bank.

"Many investors believe that short term volatility is a sign of loss rather than a mispricing of investments. However, more often than not, this is a time to buy instead of sell.

"Different assets perform well at different times, so by sticking to the basics and buying good quality at reasonable prices, investors will not have to take a big bet on complete unknowns."

Cashflow can also be optimised by building a diversified portfolio of good quality assets (including cash, fixed interest, Australian shares, International shares and property) and avoiding speculative investments.

"While there is often a trade off between risk and return, with many investors finding that chasing higher returns attracts a higher level of risk, putting all of your capital only into cash or fixed interest without diversifying can be more detrimental than you think," he said.

"The risk you take is that cash has no hedge against either tax or inflation.

"The future of financial markets will always be uncertain – whether it be investing in shares or property to placing your money in an everyday bank account.

"Investors should therefore structure their affairs so they can withstand downturns and not be forced to sell in deflated markets.

"Currently, there are some fantastic opportunities in shares for those willing to stay the course over a 5-10 year plus investment horizon with potential for solid capital growth and attractive dividend income. There are also attractive investment opportunities in infrastructure and commercial property.

"The bottom line is that you need to be comfortable with what you are investing in and understand your assets and the strategy that you are employing.

"A professional adviser can provide advice, the right tools and a common sense approach to help you put your individual long term plan together for successful investing."

As quoted in the Courier Mail.

10 best investment ideas for 2011

Clients will have received a copy of our report, Ten Best Investment Ideas for 2011 included with this newsletter. Please read this report and make sure you speak to your Adviser if you have any questions about it.

Clients are also invited to attend our special seminar:

Monday 7 February 2011

2.00pm or 5.30pm

Crowne Plaza

Hindmarsh Square, Adelaide

You can register via the following methods:

Online www.prescottsecurities.com.au
email seminar@prescottsecurities.com.au
or contact our office on 08 8372 1300

FLEXIBLE ESTATE PLANNING IS ESSENTIAL

No one likes to think about what might happen to them or their family, in the event of their passing.



Planning effectively is key in making sure that those left behind are well catered for and there are no challenges to your estate. Yes, there are lots of technical and emotional issues to consider and yes, there are lots of specific details and strategies to contend with.

Peter Hickey, Principal of the Prescott Securities Gold Coast Office says that's why it is essential to develop an estate plan that is flexible in catering for your wishes.

"You need to ensure that flexibility is retained for estate beneficiaries so they can seek advice on the best option for them", says Mr Hickey.

"Life insurance is critical in ensuring appropriate funding in this process where you have young children and are building wealth using borrowed funds. Consider holding life insurance through superannuation when you have young children. Life Insurance through superannuation can also be significantly cheaper" Mr Hickey said.

When establishing life insurance, Hickey says it's important to ensure that the cover allows for the extinguishment of all debts and the retention of all existing assets. "This will ensure less disruption for remaining family members in what is already a difficult time. You don't want bereavement and then a forced sale of a family home. You also need to provide for the income needs of the family moving forward".

Hickey also said that trust estate structures provide valuable taxation benefits, and where carefully structured, asset protection. "You cannot underestimate the potential asset protection and tax benefits from well structured testamentary trusts with appropriate trustees to manage the capital and to guide and mentor younger beneficiaries".

"Asset protection is also critical when you consider child pensions for dependent children. Whilst tax effective, a child could gain access to the underlying capital at 18. Most clients would not want an 18 year old having access to and control of significant amounts of capital".

"It is also very important for the estate plan to nominate appropriate professional advisers in the will who have legal, taxation and finance knowledge. Nominate those you know will have empathy for ensuring the best possible outcome for your loved ones" Mr Hickey said.

As with any situation, your individual needs need to be considered first and foremost.

Further Information

Prescott Securities offers a comprehensive estate planning service. If you think you need to consider the state of your estate, please speak to your Adviser.

If you are new to Prescott Securities, then please contact your local office to arrange a complimentary initial appointment.

**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.

INCOME PROTECTION YOU CAN'T AFFORD TO BE WITHOUT IT

Many of us don't think twice about insuring our homes, contents and cars.



Yet in the current economic climate we often do without financial protection, leaving ourselves exposed to risk at the worst possible time.

Stockbroking and financial advisory firm Prescott Securities says you can't afford to be without personal insurance, income protection and business insurance (if you are self-employed or in a business partnership) to protect your biggest asset - your ability to earn an income.

Prescott Securities' Personal Risk Adviser Suzie French says that when prioritising your essential insurance policies you need to consider the value of your assets.

"Cancelling or not having adequate life and income protection insurance should be your last resort when money is tight," Ms French said.

"Injury or illness can strike at any moment and change your life in an instant and income protection should therefore be a priority in your personal financial strategy.

"Should the unthinkable happen that prevented you from working and earning an income, adequate insurance brings peace of mind, makes a huge difference to individual recovery times and secures your standard of living, assets and family's lifestyle.

"If someone aged 35 earning \$80,000 per year and planning on working for another 30 years is permanently disabled in a car accident, they have lost their future ability to earn income of \$2.4 million in an instant.

"Without income protection in place, or a back-up plan, individuals may be forced to rely on Centrelink payments for the rest of their life."

Even being unable to work for three months would have a devastating impact on families, as those affected often do not have enough sick leave and savings to maintain mortgage repayments, pay monthly bills, medical expenses and maintain the family's lifestyle.

"No one wants to risk losing something that's valuable to them, but your home and car are valued at a fraction of your potential income," says Ms French.

PRESCOTT IN THE COMMUNITY

Prescott Securities continues to be supporters of community organisations, with recent donations to Movember and SCOSA.

In addition, an approach to our clients with holdings in Hunter Hall International saw them vote for The Birthing Kit Foundation, resulting in a donation in excess of \$16,000 from Hunter Hall to this wonderful cause.

"Insuring your income will enable you to retain your assets should you be sick or injured and have to stop work.

"Covering your income is also a lot cheaper than many people expect as a 35-year-old male non-smoker can get death cover of \$1,000,000 for less than \$50 per month, and all premiums paid for income protection are fully tax deductible.

"Insurance can be flexible and premiums are competitive, so it is important to have your insurances reviewed regularly to ensure that they are tailored to your current circumstances and financial position. Your adviser can recommend strategies to help you save money, review your insurance portfolio and make sure you have adequate levels of cover in place."

Further information

If you think you need to consider your personal insurance arrangements, please speak to your Adviser. If you are new to Prescott Securities, then please contact your local office to arrange a complimentary initial appointment.

As quoted in The Advertiser and Courier Mail

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