

Edition 12 | March 2014

# NEWSLETTER



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## Client Referral winner for March quarter

The winner of the client referral program for the March quarter is John & Jennifer Ballard congratulations John & Jennifer a new iPad is all yours!

Our photo shows last quarter's client referral winner, Jillian David receiving her iPad from Robert Holt.



At FM we are always looking to help new clients as we strive to grow our business. We feel the greatest compliment for our business is to be referred by our valued clients. Remember, all you have to do to go in the draw to win is refer a friend, family member or colleague and once they become an FM client your name goes in the draw. There is no limit to how many entries you may have.

### Client Referral Challenge

You may have noticed if you have been into any of our offices that we have a challenge to generate client referrals. We are looking for 150 referrals by the end of June if we can get this number we will donate \$1500 to the Salvation Army Red Shield Appeal. We have had a slow start and ask for your support in referring people who you feel we can help them plan for their financial freedom.

All you need to do is when talking to friends and families about financial issues remember to suggest they talk to an adviser with FM Financial. Our experienced advisers can help people like you develop and implement a financial freedom plan.

All referrals count towards our 150 goal.

*Helping you make the right financial decisions for both now & the future*



## Market Update January - March 2014

Australian Share market Graph – S&P 200



Source Eureka Report April 2014

The first 3 months of the 2014 year have seen the continuation of performance that we saw over the 3 months of last year. We have been trading within a band of 5100 at a low point and 5489 at a high point.

The general feeling around the Australian market at the moment is that our market is fully valued and we are looking for growth to be driven by business performance, this means we are looking for our companies to deliver stronger profits to drive share market growth. Whilst our economy is delivering some mixed signals and profit numbers have not been great, the general consensus is that we should see the ASX200 continue to trade in and around the band of the last 3 months.

Australian interest rates have not risen over the last 3 months, but there are signs that as the economy continues to grow and unemployment remains as is or declines the next interest rate move may be upwards, which would be a great sign for the Australian economy. The biggest stumbling block is the Australian dollar which has climbed back over 90 cents against the US dollar and again puts pressure on our export competitiveness.

Internationally there are positive signs that Europe is progressing with Greece having restructured and now looking at a structural budget surplus. The price of their debt raising bonds is declining, again indicating that the economy is starting to work. The other issue with Europe at the moment is the unrest in Ukraine. There are implications for Europe as Russia takes over this small country, for at the same time there are important economic resources assets that Russia is taking control of. The Market whilst watchful does not appear to be overly concerned about this at this stage.

In the US they are experiencing profit downgrades and so like in Australia their market growth will depend more on business profit growth than government intervention. The Federal Reserve in the US is still looking at reducing the amount of money it is injecting into the US economy over the long term, and that signals that the Federal Reserve see signs that the US economy is growing and gaining strength.

In China, an import economic partner of Australia's, we see signs that the government is considering a new stimulus package as they try to move their economy to a consumer based economy. There are strong signs that China is reducing the amount of raw materials it requires. The implications for Australia is that it buys less raw materials from our miners which has been the case for some time and has seen the easing of resources stock values.

In Summary, we can expect more of the same volatility over the next 3 months as we get close to the end of the financial year. Interest rates are expected to remain low and there will be greater emphasis on profit generation that delivers value to our markets.

The Federal budget is to be brought down on Tuesday 13<sup>th</sup> May. We will provide a budget summary and cover any areas that specifically impact Superannuation and retirement to you following the budget.

*The views expressed above are of a general nature and based on commentary compiled from leading economists, Dr. Shane Oliver, Chief Economist & Head of Investment strategy, AMP Capital Investment, Alan Kohler from the Eureka Report and Mike Hawkins Chief Investment Officer, Evans & Partners*

## Article of the Quarter: Retirement?

At this time of year, as we head towards the end of the financial year people start to think a little about their superannuation and possibly retirement. It may be a few years away or your plans might be to retire in the next year.

Inevitably people ask themselves do I have enough money to retire, how long will my super last, what I can do to get the best out of my superannuation.

### How much can I spend in retirement?

According to calculations from the Australian Superannuation Funds Association (ASFA), a couple will require \$57,665 per annum and a single person \$42,158 per annum to maintain a comfortable lifestyle in retirement.

This enables a retiree to be involved in a broad range of leisure and recreational activities and to have a good standard of living through the purchase of such things as; household goods, private health insurance, a reasonable car, good clothes, a range of electrical equipment and domestic and occasionally international holiday travel.

### What lump sum will I need?

Lump sum needed to support a comfortable lifestyle for a couple (assumes receipt of part Age Pension)	\$510,000
Lump sum needed to support a comfortable lifestyle for a single person (assumes receipt of part Age Pension)	\$430,000

*These figures are in today's dollars (using 3.75% AWE as a deflator), an investment earning rate of 7% assumed and the annual expenditures needed for a comfortable lifestyle are as at December 2013.*

*Source: ASFA Retirement Standard (December quarter 2013)*

### How long will my super last?

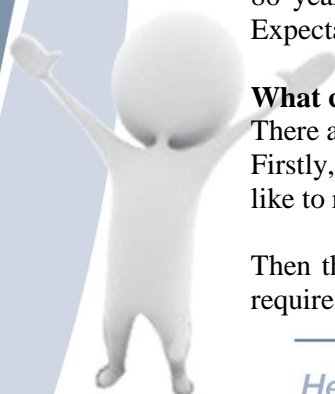
If you're not sure how much you'll be able to spend in retirement, the first step is to work out how long your existing superannuation savings are likely to last. This is a combination of how much you want to spend in retirement, your life expectancy, and the cost and performance of your fund during your retirement.

If you're planning to retire at age 65, the research suggests that you're likely to live for another 20 years. The average Australian woman at age 65 has a life expectancy of about 86 years and the figure for Australian men is about 83 years. (\*Based on 2006 Life Expectancy tables.)

### What can I do to improve my retirement lifestyle?

There are a number of simple things that you can do to improve your retirement. Firstly, **there's your retirement age**. Who says you have to retire at age 65? You might like to retire a little later or earlier.

Then there's your **annual income in retirement**. Reducing the amount of income you require in retirement just slightly can have a big impact on how long your funds can last.



Generally speaking, the more income you draw each year, the faster your money will run out. And, if you're still working, you could consider consolidating multiple super accounts and topping up your super. Even just a little extra now could make a big difference at retirement.

### **What mix of assets can help make my money last longer?**

You can also look at how you **structure your assets**. As a general rule, Centrelink treats assets held inside and outside of super differently, so you might like to investigate the effect of changing the amount of assets you hold outside of super. Restructuring your assets may impact the amount of Centrelink benefits you receive and the amount of tax that you pay.

You might also want to think about how your funds are invested. It obviously depends on how comfortable you are with risk, but the general rule is more aggressive mixes come with the potential for greater returns – but the risk of lower returns is also higher. We can help you decide on the most appropriate asset mix for your personal circumstances.

### **Want to know more?**

We have a range of smart strategies to help you build for a better retirement. Of course everyone's financial needs are different, so please call us today to help you build your own personal roadmap towards your financial freedom.

The Federal Government has started a public debate about retirement age and the ability of the government pension scheme to cover the baby boomer generation as they enter into retirement. We will learn more in the coming weeks as we lead up to the first coalition budget. We will provide all FM Financial clients with a budget summary and a summary of the impact of change brought in by the budget.

## **News from FM Financial**

We have had some staff movement over the last 3 months. Unfortunately Sam Caton has resigned and left us. Sam and her partner have just finished building a home at which is around 90 minutes each way from the Melbourne office so it with a real sense of loss that Sam resigned to seek a role closer to her new home.

We have been lucky to find a replacement for Sam with Rochelle Minor joining the team in Melbourne. Rochelle is a Commerce Graduate and is married to John who is an electrician.



**Denis Harrington, General Manager FM Financial**

We hope that you like the newsletter. If you have any questions or wish to provide any feedback on the newsletter, positive or negative, please contact Denis Harrington. Contact details are below.

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