



QUINN FINANCIAL PLANNING



## Summer 2014

Summer is upon us and the traditional pre-Christmas madness is in full swing. Perhaps it's the combination of disappointing economic data and too much bubbly, but speculation about which direction interest rates are headed has reached fever pitch on financial markets.

The Reserve Bank of Australia (RBA) has been telling us mining investment will slow even further and Australia will have to look for more traditional sources of growth as scrutiny of every economic statistic intensifies.

The recent 2.2 per cent decline in the value of construction work completed and a modest 0.2 per cent increase in capital expenditure in the September quarter suggest growth has stalled. Whether it is soft enough to encourage the RBA to lower rates remains to be seen.

The local currency slumped to a four-year low in the wake of plunging iron ore prices and RBA commentary about the Aussie dollar's value. RBA deputy governor Philip Lowe said the Aussie was too high; he expects it to fall further as the terms of trade decline.

Iron ore prices fell to their lowest level since June 2009 to US\$69.58 a tonne. Analysts blamed the likes of BHP Billiton and Rio Tinto for increasing production in a weak market.

The greenback slipped in response to deteriorating consumer confidence, which overshadowed a surprise upgrade in third quarter US growth. Federal Reserve Chair Janet Yellen said the tenor of economic data will determine when interest rates will rise.

### Quinn Financial Planning

3 Laycock Road  
Penshurst  
NSW 2222

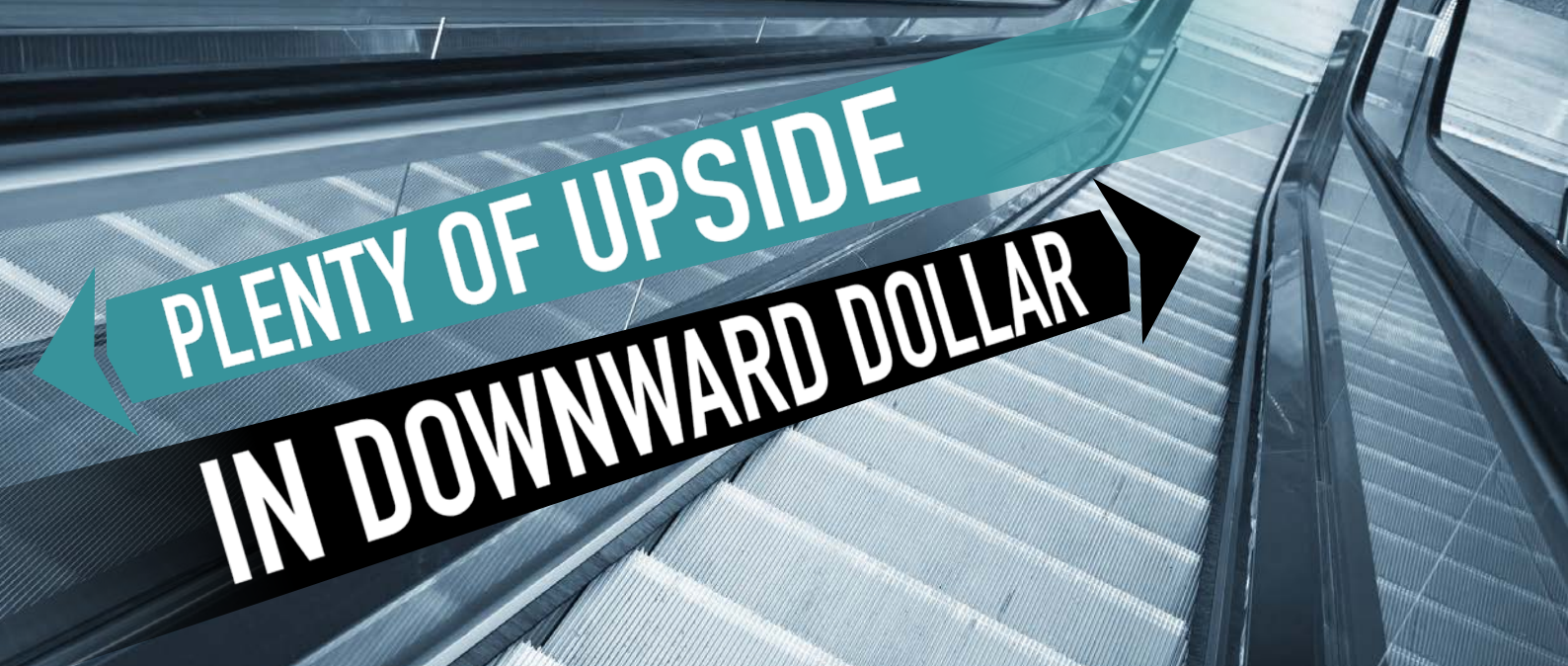
**P** 02 9580 9166

**F** 02 9580 9196

**E** [qfp@quinns.com.au](mailto:qfp@quinns.com.au)

**W** <http://www.quinnfinancialplanning.com.au/>

**Twitter** [pq\\_quinn](#)



**PLENTY OF UPSIDE**

**IN DOWNWARD DOLLAR**

Australians planning an overseas holiday may be lamenting the fall in the dollar, but for investors and much of the country there are plenty of positives. As a nation heavily reliant on exports the weaker dollar makes us more competitive and helps to underpin much needed economic growth.

Investors with exposure to international equities and domestic companies with offshore earnings are likely to be major beneficiaries of the more favourable exchange rate.

The decline against the US dollar to its lowest level in four years will be particularly welcomed by the Reserve Bank which has talked about the currency being uncomfortably high for some time.

The Aussie dollar was trading at about US87c in early November, down from US94c in early September and well off its all-time high of US\$1.10 in May 2011.

To put the recent currency moves in perspective, the Australian dollar against the US dollar has averaged about US76c since the dollar was left to market forces, or floated, in 1983.

Some analysts predict that the currency is on its way back to that long term trend, with the current strength in the US dollar a significant driving factor.

### **Currency winners**

While accommodation and shopping in the US or Europe may not be as cheap as it was for Australian travellers, investors in companies with US or Euro dominated earnings should stand to benefit.

That's because any earnings generated in US dollars will be worth more to Australian investors.

Companies that manufacture or provide a service in Australia and compete with the now more expensive imports such as steel, fertiliser or tourism should also do well. Just some of the well-known companies in these sectors include BlueScope, Incitec Pivot and Crown.

The danger of expensive imports is rising inflation but there are also companies that stand to benefit from rising prices. For example, retailers such as Wesfarmers and Woolworths and toll-road operator Transurban Group could see expanding profit margins if inflation increases.

Product prices from biscuits to road tolls would increase with inflation. So provided a portion of these companies' costs remain fixed, profits should increase.

Companies that have production costs in Australian dollars but export products like natural gas and iron ore which are priced in US dollars also stand to benefit. These include Woodside, BHP Billiton and Rio Tinto.

A falling Australian dollar translates into higher Australian dollar revenue from the same US dollar level of goods sold. For example, every 1c fall in the Australian Dollar increases BHP's profit by US\$100 million.

### **Currency losers**

Some of the sectors that may not be celebrating the falling Australia dollar include those that buy goods offshore,

either for use in manufacturing or resale to Australian consumers.

Retailers including JB Hi-Fi will pay more for many of the electronics such as flat screen TVs that households have been enjoying at record low prices.

The lower dollar could also hurt companies that have significant US dollar denominated costs, such as aviation gas in the case of Qantas.

### **Hedging your bets**

Currency movements can translate into losses or gains on an international share portfolio depending which way the currency moves.

Just as companies will protect themselves against foreign currency movements by locking in or hedging costs like US dollar borrowings, investors can take the same precautions with their overseas investments.

If you invest in managed global share funds there is often a choice of hedged and unhedged versions. This allows you to take a view on where the currency is headed based on your investment time frame.

For example, if you think the Australian dollar will continue to rise you might choose a fund which has hedging in place. But if you think the dollar will fall you might choose an unhedged version and hopefully benefit when you convert your offshore earnings into Aussie dollars.

Just as there are challenges from a fluctuating currency there are also opportunities.

Call us if you wish to discuss how to position your portfolio for the falling dollar.



# LIFE INSURANCE THROUGH THE AGES



Whoever said, ‘the more things change the more they stay the same’, was dead wrong when it comes to life insurance. While protection against adversity is always wise, your actual needs change as you move through different ages and stages of life.

From when you take your first job and go out into the world, life insurance in all its many forms has a role to play.

## Life insurance falls into four main categories:

- **Income protection** - Pays a monthly benefit if you are unable to work due to sickness or injury
- **Trauma** - Pays a lump sum for a specific injury or illness
- **Total and permanent disability (TPD)** - Pays a lump sum if you are permanently unable to work
- **Death** - Pays a lump sum if you die or become terminally ill.

## Shifting needs

Life insurance is like a bell curve – you need a low level of cover when you are setting out life, growing to a high level in your middle years when your responsibilities and debts are at their peak and then possibly dropping back when you retire.

The need for cover is ultimately about ensuring you have sufficient financial back-up should something go wrong.

While superannuation offers most Australians some form of life insurance,

it is generally a basic level of cover and may need topping up outside super.

Each stage of life has its challenges, whether you are young and single, just married, starting a family, empty nesters or retiring. Whenever a major event occurs in your life, such as marriage or the birth of a child, you need to consider whether you have the right cover for your current needs.

## Young and single

When you are starting out in life you may not need life cover, but what would happen if you were injured in a car crash and couldn't work for six months? What happens when your sick leave runs out? How would you pay your rent, car loan, utility bills and basic living expenses? That's when income protection insurance can be a lifeline.

## Just married

Once you are part of a couple you naturally want to protect each other's wellbeing. If something happened to either one of you it could put tremendous strains on the other person. This is even more likely if you have bought a home and are saddled with a mortgage.

Life insurance, income protection and trauma insurance can all help you protect your lifestyle. And both partners should seek cover because both are contributing.

## Starting a family

Once children come on the scene, the need for life insurance is even greater. If something were to happen to you or

your partner, then the financial burden could be significant. Who would look after the children? Could they stay at the same schools? Could your partner pay the mortgage on one salary?

Income protection, life insurance, trauma insurance and total and permanent disability should all be considered. Once again, it's important to make sure both partners are covered – even if one isn't working, the costs associated with childcare and household tasks can be considerable.

## Empty nesters

Just because the children have left home doesn't mean you don't still need access to money should something occur. Sure, you are probably at the peak of your earnings, but many empty nesters still have a mortgage. Even if you don't, why put at risk all the wealth you and your partner have worked hard to build up for your retirement? Life insurance can help you protect these assets.

## Retirement

Once you are retired, your need for life insurance may diminish. At this stage of life, you will probably have paid off your mortgage and your children are likely to be independent. As a result, insurance cover might just be a means to leave an inheritance for your children. Or you might want to have a policy to provide for your funeral.

Life is forever changing, as are your insurance needs. It is not a one-size-fits-all.

Call us if you want to discuss how to shape your insurance to meet your current needs.

# Avoiding the busy-ness trap



If you're exhausted by the time the weekend rolls around and feel like there's an ever-growing list of things to do in an ever-shrinking time span, you are not alone. According to the Australian Psychological Society's annual survey, three in four Australians believe stress is affecting their health.

This could have something to do with the fact that we are among the most wired citizens on earth. Australia outranks both the UK and the US in smartphone ownership. We're equipped with time-saving technology but that 24/7 connectivity means we feel busier than ever, with emails, messages and app notifications scattering our concentration.

In *Overwhelmed: Work, Love and Play When No One Has a Minute*, US journalist Brigid Schulte describes this sense of being constantly behind as the 'modern overwhelm'. She argues that we have come to equate busyness with success, yet research shows that working in 90-minute bursts with breaks in between is more efficient than working longer hours.

## Tips to achieve calm

### Plan

Productivity experts recommend making a to-do list each evening to mentally prepare for the following day, remembering to prioritise the tasks on that list. At the same time, they warn against over-scheduling; you need time in between appointments to digest what has been discussed and to mark your progress.

### Focus

In his 2010 bestseller *Be Excellent at Anything*<sup>i</sup>, corporate leadership expert Tony Schwartz debunks the 'multi-tasking myth'. His interviews with top

executives show that setting fixed times for responding to emails, as well as an auto-reply communicating this to senders, can have a big effect on how harried you feel throughout the day.

### Respond to signs of stress

Recognising when you're overwhelmed is essential to your long-term health, according to Emma O'Connell from Psychology Melbourne<sup>ii</sup> which runs classes on stress management. "Noticing warning signs such as feelings of fatigue and tightened muscles is helpful. Then you should look at whether your diet, exercise and sleep patterns need to change, as well as how connected you feel to a support system," she says.

### Diet and exercise

Rather than reaching for the sugary biscuits for an energy boost on a stressful day, O'Connell recommends healthy snacks or a small piece of dark chocolate for a calm-inducing endorphin hit. Better still, get moving.

It's well known the release of endorphins triggered by exercise can relieve feelings of stress, while research published in *The British Journal of Sports Medicine*<sup>iii</sup> last year confirmed that taking a 10-minute walk through a green space rather than an urban one is the quickest way to induce calm.

### Calm your mind

Meditation and yoga are popular stress busters, but there's no one-size-fits-all method. O'Connell suggests carrying

out a mindfulness exercise on your commute home or having another ritual to break the day between work and leisure, such as changing your clothes, to diffuse feelings of stress. The power of music to relieve anxiety is scientifically proven, but that doesn't have to mean Mozart or whale sounds – creating 'pump-up' and 'calm-down' playlists that are personal to you will be most effective.

### ... and take control

Psychologists and business coaches agree that being realistic about what you can achieve each day and having the confidence to say 'no' when asked to do more is vital to maintaining a healthy outlook and fulfilling life. That might mean turning off the iPhone right after you read this.

## Take 5 and DE-STRESS

- 1 Breathe in through your nose for three seconds and then out for three; repeat for two minutes
- 2 Tense and then relax the muscles in your body, starting at your toes and working up to your face
- 3 Read or watch something amusing; laughter can boost endorphins
- 4 Write your worries on a piece of paper, then throw it away
- 5 Turn off computer, TV and phone screens at least an hour before you go to bed.

i <http://goo.gl/aGNSIL>

ii [psychologymelbourne.com.au](http://psychologymelbourne.com.au)

iii [ncbi.nlm.nih.gov/pubmed/23467965](http://ncbi.nlm.nih.gov/pubmed/23467965) OR <http://goo.gl/bljnkp>