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FINANCIAL SERVICES

A reasonably stable few weeks on the domestic equity markets as the longer term trends, supported by historically low interest rates, makes this a reasonable stage in the business cycle to invest in growth assets. Notably the rise in property prices, particularly in Sydney over the last 12 months, has become a concern driven by investors as opposed to owner occupiers. The immediate economic reality remains that the Reserve Bank, while probably wishing to raise interest rates to cool speculators down, are hostage to a high Australian Dollar driven by global interest rates still close to zero in the US, Europe and Japan. Any increase in rates would appear to be some time away and would need to be done as part of a wider concerted global decision. That said, New Zealand was the first of our economic neighbours to raise their rates last week and ultimately rate settings reflecting true risk and reward are in everyone's best interest to avoid a future asset bubble particularly in inner city housing.

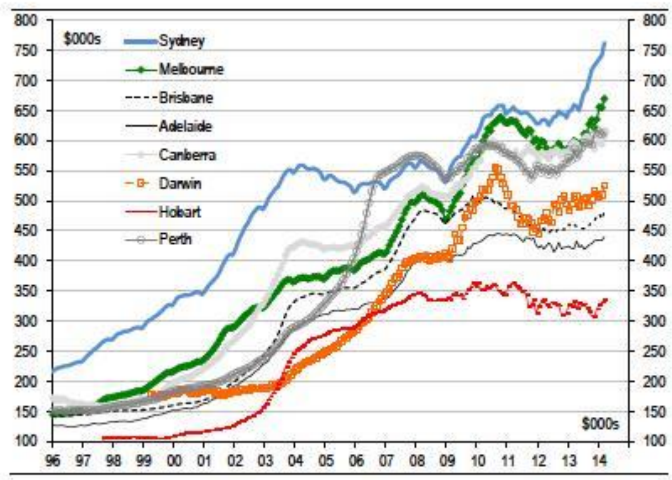
Australians really do have a love affair with property compared to most other parts of the world, partly due to our generous tax system. Done well with a long time horizon, realistic capital growth expectations and adequate cash reserves, property can be a great way of accumulating long term wealth whether as an owner occupier or as an investor. There are, however, many pitfalls and having professional advisers considering the downside and alternative use of your capital is a valuable balance to the sometimes exuberance of your local Real Estate Agent whose primary responsibility is to his vendor.

The graph's below show property prices in Australia over the last few years with a corresponding interest rate table.

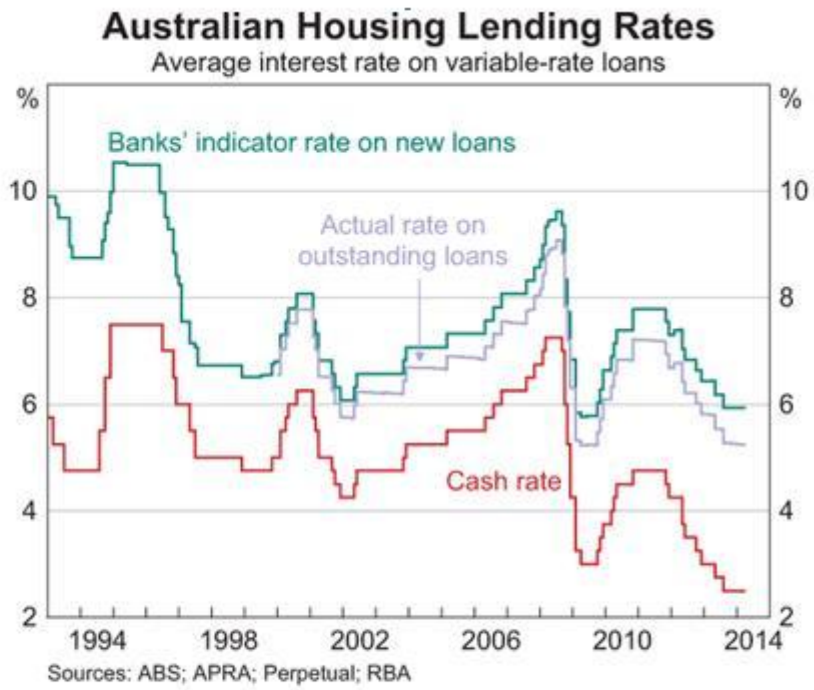
House Price Rainbow Spaghetti

Posted *3 days* ago

Melbourne house prices increased the most in the first quarter of 2014, soaring 5.4%, but Sydney easily maintained its lead with a 4.4% rise.



Source: UBS



There continues to be much speculation about the upcoming Federal Budget due on Tuesday 13th May with the usual frantic lobbying going on. Top of mind within the Financial Planning community is an increase in allowable tax deductions into Superannuation from the next financial year at the moment expected to be $30k per annum for all ages with a, yet on to be finalised, higher amount for clients aged over 50. There are also changes expected for the calculation of Centrelink benefits for retirees from income stream products which may be detrimental to some.

Finally, there is a long overdue overhaul of the complicated Aged Care Sector commencing 1 July 2014 with the establishment by the Federal Government of a national system under the banner of MyAgedCare which should simplify this opaque and important part of our community life. We have developed a specialised part of the business to deal with the difficult but essential role of planning for clients moving into the next stage of their lives including helping their children make good choices for their parents at what can be a stressful time for all concerned. The changes will mean retaining the family home and renting it out may be more attractive than selling up and investing into an income stream product.

There has been a fair bit about the Financial Planning profession in the media recently much of which was misguided. As one of the country's few privately owned Licensees we welcome free and fair competition from multiple sources with as much flexibility in payment arrangements as practical to meet different client requirements. Ultimately Advisers, irrespective of their working arrangements, need to prove their worth to their clients in their daily actions and service. A strong vibrant Financial Planning Sector is important to the wider financial stability of the economy and we remain committed to improving its standard and reputation through our own example.

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