



Goldilocks lives on

Like the baby bear's porridge, 2005 will be remembered by many as being just right - not too hot, not too cold.

Whatever your personal experiences of 2005, it remains a year when the "big picture" was positive and there was not too much to complain about. Our population ticked over 20.5 million and economic growth for the year was expected to be above 3%.

This growth rate meant employment continued to grow with over 10 million Australians in work. There were 7.1 million in full time work and 2.9 million working part-time. Unemployment stayed historically low at just over 5% causing some employers to have problems recruiting staff with the required skills.


Inflation was about 2.8% for the year and within the Reserve Bank's preferred range of 2 - 3%. Official interest rates remained stable at 5.5% with just one small rate increase during the year. The Reserve Bank has described the current interest rates as "neutral" meaning they are not expected to stimulate the economy or slow it down. Stable and historically low interest rates are good news for anyone with a mortgage or borrowing to invest. Our economy at the moment seems to be "just right".

Overall company profitability rose 18% and investment in infrastructure and other capital equipment was up 18.2% in the second half of the year. Investment in productive assets should mean continued growth and economic prosperity in future years. Housing approvals fell, suggesting we had "survived" the residential property boom without a major crash.

Income earners received a tax cut in July with the promise of another one to come for higher income earners in 2006. Despite this, consumer confidence fell during the first half of 2005 perhaps because we temporarily lost the Ashes, the Wallabies lost more games than they won and archrival New Zealand thumped our netballers. A more likely cause was a rise of about 35% in the price of petrol. However, it seems consumers are getting used to paying well over a \$1 a litre because confidence recovered in the second half of the year.

Another reason may have been the strong performance of the investment markets where all asset classes produced positive results. In particular, rising commodity prices provided greater profitability for Australian resource companies pushing the All Ordinaries index to record highs.

Australian shares were the star performer for the year with a return of 22.5% and International shares came out of the doldrums with a return of 16.8%. Listed property returns were lower than 2004 but still produced 12.5%. Income producing assets produced steady results - international bonds returned 6.5% whilst Australian bonds and cash returned 5.8%.

The good returns from growth assets like shares and property may have changed the overall asset allocation of your portfolio(s). Now might be a good time to discuss this with your Avenue adviser. 



The Importance of Regularly Reviewing Your Investment Portfolio

The importance of regularly reviewing your investment portfolio and your personal circumstances to ensure that your investments remain appropriate to your needs cannot be overstated. From our experience investment portfolios need to be adjusted over time, not only in response to changing investment markets and economies, but also in response to changing personal circumstances.

If you are currently not reviewing your financial affairs on a regular basis we encourage you to contact your Avenue adviser to discuss their review services.

Estate planning basics

Understanding the terminology is an essential first step in getting your plans in order.



Preparing for when you're not here is a necessary task but one that many of us avoid. The main aim of estate planning is to ensure that when you die your assets are passed promptly and tax-effectively to the people you love.

Everyone owns assets and when you die they become your estate. Your estate will include things you own personally like property, a car, shares, managed funds, collectables and bank accounts. Some assets, like property held jointly or assets held by trusts, do not form part of your estate. Super fund investments may be paid to your estate or directly to your dependents depending on the instructions you have issued to the super fund's trustees.


A Will is a legal document that appoints an executor and tells them how to administer your estate. Essentially, the job of an executor is to collect and protect your assets, pay your debts and then distribute the assets to your beneficiaries.

Before an executor can start to administer your will they need to apply for probate. This is a document issued by the courts certifying that the will is valid. An executor will

also need to lodge a tax return for you from 1 July to your date of death and tax returns for your estate each year until it is finalised.

Dying intestate or without a will means your assets will be distributed according to a statutory formula. The rules vary in each State but in general terms your assets will pass to your next of kin. In NSW, these rules are found in the Intestacy Act. The courts will appoint an administrator who has similar duties to an executor. Executors and administrators are also called personal legal representatives.

An enduring power of attorney is often prepared as part of an estate plan. This document allows you to appoint someone else to act for you in financial affairs if you're unable to do so yourself. The person you appoint as attorney can be different to the person you appoint as executor to your estate.

In future newsletters we will cover some of the common traps in estate planning and possible strategies to avoid them. 



The cost of kids

Recent research shows the more you earn, the more you spend on your children

There is no doubt that children cost money – clothes, food, childcare, education, health care – the list goes on and on. Most parents see raising children as a rewarding challenge and one that is worth the money. After all, your children may well be choosing your nursing home in 60 years time, so it pays to raise them well.

The Government supports families in a number of ways. These include:

- **Maternity payment.**

This is currently \$3,119 for each newborn child but will rise to \$4,000 after 1 July 2006.

- **Family Tax Benefit A.**

An income tested ongoing payment of up to \$4,201 per child per year.

- **Family Tax Benefit B.**

An income tested ongoing payment of up to \$3,372 per child per year for families where there is one main breadwinner.

- **Child Care Benefit.**

An income tested weekly payment of up to \$144.

Family Assistance Offices provide a one-stop-shop to make enquiries and claims on these payments.

These support payments may help meet the costs of raising children but there will still be a significant gap. Research by NATSEM in 2002 concluded that on average it costs about \$225,000 to raise one child to age 20. This equates



THE LIGHTER SIDE

“ I’ve got all the money I’ll ever need if I die by four o’clock this afternoon. ”

Henny Youngman

“ Another good thing about being poor is that when you are seventy your children will not have you declared legally insane in order to gain control of your estate. ”

Woody Allen

“ Children really brighten up a household - they never turn the lights off. ”

Ralph Bus


“ I always pass on good advice - it's the only thing one can do with it. ”

Oscar Wilde

to \$11,250 a year, although costs are likely to be higher when they are babies, then level off and peak again during senior education.

More recent research suggests the story is not so simple. Not surprisingly, higher-income families spend more on their children than those on lower incomes. A family with combined income of \$70,000 could expect to spend \$240,000 to raise a child to age 18 – that is about \$13,500 a year. However, a family with a combined income of \$150,000 may spend \$475,000 over the same period – on average \$26,500 a year.

Childcare is one of the most significant costs especially in the younger years when parents may be juggling family and career commitments. However education (and its related expenditure) may well prove to be the biggest cost by a very long way if you choose to send your children to a private school. In 2005, the average cost of private education rose by 6.3% - well over the general inflation figure.

So, be careful what you wish for and be prepared for the consequences. 




Protecting a vital asset

What if there was no one to run the house and look after the children?

Families are at their most vulnerable when the children are young and the mortgage is still substantial. Life insurance provides vital protection so on the death or disablement of the major income earner, debts can be repaid and the family’s financial future is not destroyed.

One oft forgotten threat to a family’s financial position is the death or disablement of the “homemaker”. Traditionally women have taken more responsibility for looking after the home, ferrying the kids about and looking after their daily needs. Taking out a life policy makes sense because it would pay a tax-free lump sum on death. However, until recently, disablement insurance has always been linked to employment - policies only paid out if the disabled person could not perform an income-earning job.

Insurance companies have identified the need to provide insurance cover for people who have a vital job but don’t get paid. If the homemaker became disabled, the family could be faced with the extra medical and nursing costs, as well as all the costs of domestic duties such as childcare, home cleaning, preparing meals, taxis, washing and ironing.

Disablement policies can now be arranged to pay out a tax-free lump sum if the homemaker cannot perform some or all of the activities of daily living such as bathing, dressing, eating, maintaining personal hygiene or having mobility. Perhaps it may be timely to revisit your insurance requirements with your Avenue adviser. 

Cruising le canal du Midi

“We didn’t seem to be moving. The countryside with all its smells and sounds moved past us.”

Imagine cruising on a canal built over 100 years before the first fleet arrived in Botany Bay. You can do this by taking a trip on a “peniche”, a barge on the French canals. Barge trips can be arranged in many ways. Top of the range would be a “hotel barge” where the crew and catering staff look after your every need. An alternative is a self-drive barge where you’re in control. There are also themed cruises where side excursions are arranged for wine tasting, golf, cycling or visits to historical sites.

A popular place to cruise is “le canal du Midi”, an amazing construction included on the World Heritage List. It is 240kms long and was completed in 1681 as part of a waterway from the Atlantic at Bordeaux to the Mediterranean at Sete. Originally barges were horse drawn and the towpath remains as a peaceful place for

walkers and cyclists. There are 63 locks on the canal, some electronically controlled but many require muscle power to open and close sluices and lock gates. The canal is lined in many places with plane trees to provide shade, reduce water loss through evaporation and to strengthen the banks – but for visitors they also enhance the beauty and tranquillity of the canal.

The barges are big – most are over 5 metres wide and many are 40 metres long. Most are air-conditioned and there is room to move around, relax and enjoy all the amenities. On the other hand when it comes to the locks, they are cumbersome to control for the inexperienced.

The greatest joy of barging is the leisurely pace and the feeling of being part of the countryside. You can’t rush a barge trip even if you wanted to. There will be time for trips to wineries, local restaurants, open-air markets, old chateaux, olive plantations and historical sites. Nothing quite beats cycling down to the nearest village to buy hot croissants for breakfast.



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And we will provide you with advice that is objective and suited to your needs.

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