

## On the bright side...



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### You've almost certainly heard the line about the world being in the grip of the worst financial crisis since the Great Depression.

You'll find it in just about every newspaper you open these days. And maybe there's something in it. After all, the Australian share market has dropped more in the last year than it fell during the Depression.

On the other hand, unemployment remains low and governments around the world are pumping well over a trillion dollars into the global economy to keep it moving. A trillion is a very big number, a million million or \$1,000,000,000,000.

That's more than most of us can get our heads around, so while we wait for the financial medicine to work let's remind ourselves that money often isn't as important as it is given credit for.

This isn't to trivialise the plight of people in genuine need, but despite the falls in share prices and concerns over job losses, the vast majority of Australians continue to enjoy a level of material comfort that lies beyond the imagination of most of our

ancestors. Or, for that matter, beyond the dreams of most of the world's population.

And there's more good news. Psychologists have discovered that once we are able to meet our basic needs, increasing levels of material wealth don't lead to greater happiness. What's so good about that?

Turn it around and it means that a dip in our financial fortunes shouldn't make us less happy. The simple fact is that there is far more to life than money.

"Such as?" you may be asking. Well, the quality of our relationships for one thing. We all have relationships with a wide range of people, not just our family and friends, so there's plenty of opportunity to practice random acts of kindness.

Juan Mann dispenses free hugs in Sydney's Pitt Street Mall, but you don't need to be quite as bold. Just start with the small things, like a smile or a kind word.

*But if money is tight there are plenty of ways to enjoy yourself that don't cost a cent.*

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On the bright side... (continued from page 1)

Challenge yourself to have more fun. If you can afford to pay for it, that's great—you'll be contributing to someone else's employment.

But if money is tight there are plenty of ways to enjoy yourself that don't cost a cent. If you can't remember a time when entertainment didn't need to be plugged into a power socket, ask your grandparents for some ideas.

Jack Nicholson and Morgan Freeman brought us the idea of the "Bucket List", but it doesn't make much sense to wait until we are about to kick the bucket before we start to pursue our dreams. Why not make a list of your own desires? You may be surprised how many of them you can start on right now.

And let's not overlook giving, in all its forms. Altruism is a marker of well-being, and volunteers often give of their time because the satisfaction derived from helping others gives their own happiness accounts a boost.

So here's a way to banish the clouds of financial gloom: stop worrying and start living. If enough people follow suit, things will brighten up in no time.

However, if you do need help with your finances, are facing redundancy, or looking for investment opportunities, please speak to your IFFP planner.

# Good credit card habits

The summer holidays are over and often we are left with an empty wallet and a large credit card debt.

It may be too late for the Christmas and post Christmas splurge, but here are some suggestions to help you take control of your credit situation and develop some healthy card habits.

**Work out how much you can spend:** A monthly budget can go a long way to helping you manage your money. Knowing how much you spend on essential items such as food, rent, mortgage repayments, transport, insurance, and entertainment means you know how much you can spend on your credit card each month.

*Don't wait until your monthly statement to get a surprise!*

**Pay at least the minimum payment every month:** This means that you will avoid some of the fees that many credit card companies charge, such as late payment fees or over limit fees. The best way to do this is to set up a direct debit to your credit card for the minimum or the full amount. On most cards, if you pay the full amount every month – you avoid interest altogether.

**Don't accept offers by the bank to increase your credit limit:** Just because they invite you to have more credit, doesn't mean that you can afford it. Prepare a budget and then decide on a realistic credit limit for your circumstances.

**Reduce your existing credit limit if you think it may get out of hand:** The best way to avoid having high credit card bills is to have a low credit limit. Ask your bank or card provider to reduce your credit limit down to what is manageable for you.

## Editorial

One year on from the start of the current share market downturn and the "global financial crisis" seems to have taken on a life of its own. With fear the prevailing emotion amongst investors, the crisis now has an air of self-fulfilling prophecy.

People think economic conditions are going to get worse so they stop borrowing and spending. As a result, economic activity does decline, and so it continues until something triggers a resurgence in confidence. We are not so bold as to forecast when that might be, but on page 1 we do offer some ideas to deal with the current situation.

At times like this it seems investment is all there is to financial planning. There are, of course, many other issues we need to consider, and in this edition we look at managing credit card debt and why cash returns vary.

We also provide a brief guide to Powers of Attorney. There are different types, but the one we would urge everyone to implement is the Enduring Power of Attorney.

Best wishes for a safe and prosperous new year.

David Haynes  
General Manager

# Powers of Attorney

Powers of Attorney are useful legal documents that allow you to appoint someone else to do all sorts of things on your behalf. There are different types of powers that apply in different situations. Here's a quick overview.

## General

With a General Power of Attorney you can appoint someone to do most of the things that you can legally do. You can restrict the terms of the Power of Attorney, or leave it open. For example, you might appoint an attorney for the sole purpose of bidding at an auction you can't attend.

On the other hand, if you are travelling overseas for an extended period, you may need to give someone the authority to deal with all of your affairs in Australia. Your attorney can't make a Will or enter into a contract for marriage on your behalf, but he or she can be your agent in most other matters.

A General Power of Attorney can be revoked at any time simply by notifying the attorney that this is the case. It also makes sense to destroy the original and any copies of the Power of Attorney documentation at that time. A General Power of Attorney also ceases to have effect if the appointer loses mental capacity.

## Enduring

Under an Enduring Power of Attorney, your appointee can continue to look after your affairs even if you become mentally incapacitated.

Enduring Powers of Attorney can also be limited in scope, for example, to look after your financial affairs, or, under an Enduring Power of Guardianship, your appointee can make decisions regarding your personal care and living arrangements. Of course, you can give one person both types of authority.

Clearly, you need to trust your attorney and be confident that he or she is capable of exercising this authority wisely.

## Medical

As its name indicates, an Enduring Power of Attorney (Medical) gives your appointee the authority to make decisions regarding your medical care. This may provide you with greater certainty that your wishes will be respected.

### The right person

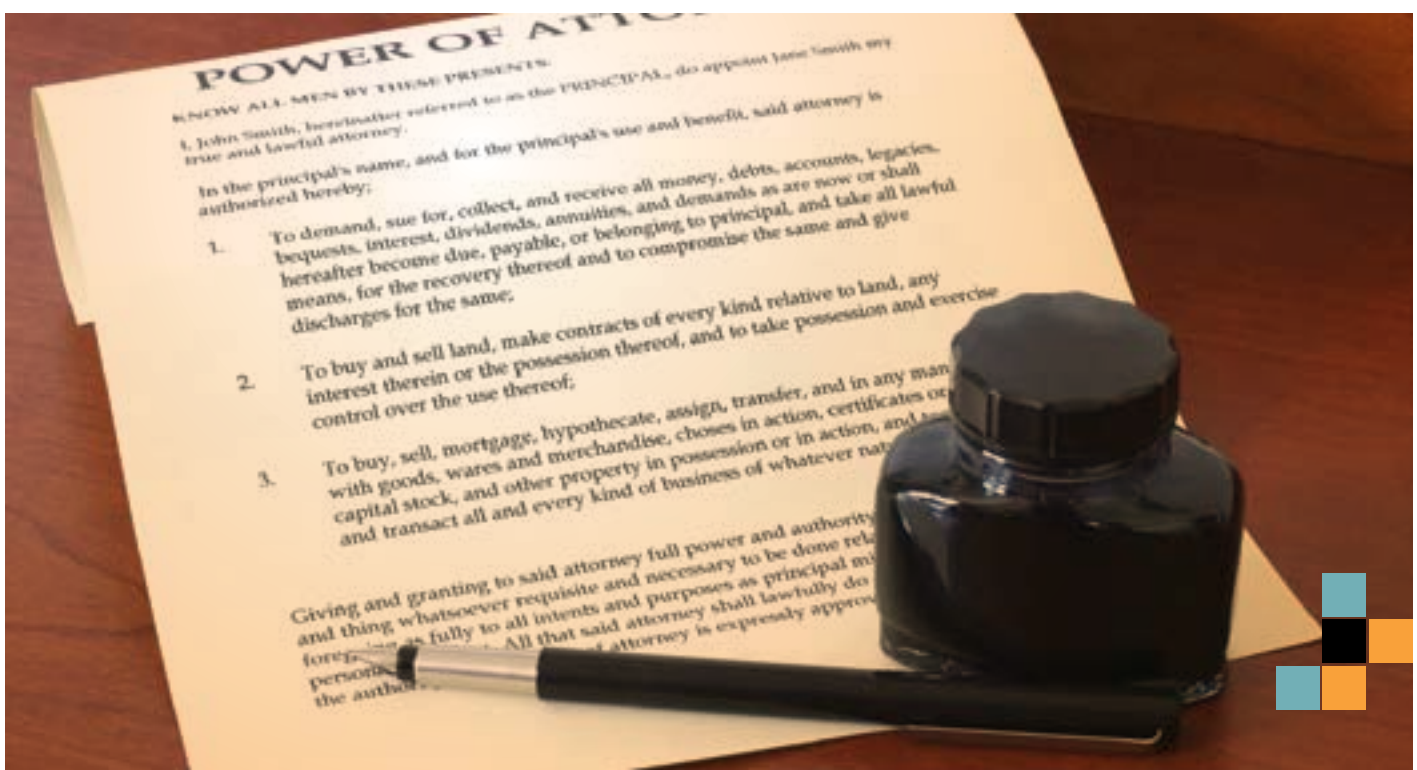
Clearly, you need to trust your attorney and be confident that he or she is capable of exercising this authority wisely. It is also important that you discuss your desires with your attorney and communicate how you want to be treated if you can no longer express your wishes directly.

Most people appoint a spouse, partner, adult child or other trusted family member as their attorney. In some cases, professionals such as an accountant or lawyer may fill the role.

### Establishing a Power of Attorney

Enduring Powers of Attorney are often prepared by lawyers at the same time as Wills are made. Power of Attorney forms are simple documents that can be downloaded from the websites of relevant state government authorities. As disability can occur at any time, everyone should consider implementing an Enduring Power of Attorney.

Powers of Attorney are covered by state laws, and some types are not available in all states. As the form and rules for witnessing also vary from state to state, and depending on the type and scope of the Power of Attorney, it is advisable that you seek legal advice.





# Why do Superannuation Cash Option returns vary?

One of the challenges many members are facing because of the current market volatility, is whether to switch their superannuation into the Cash investment option. Most people think that cash is a safe option, but be aware that not all cash options are the same!

Cash options have many names, including Cash, Enhanced Cash and Cash Plus.

Generally, money invested into a superannuation cash option can be invested into a mix of Cash, Bank, Corporate and Asset Backed Securities. In other words, cash options can be invested into mortgages, loans and other non-cash type investments.

It should also be noted that many of these non-cash type investments can provide excellent returns however they can also fluctuate in value. This is one of the reasons why superannuation cash returns vary.

Think of it like this: If you could buy one investment that will pay you \$5 in interest over the next year, or another one that will only pay \$3, which one would you pay more for? The one paying \$5 obviously.

In addition, some investments are not held to maturity, but traded to generate gains. In the example above, it's possible that if interest rates fell, the superannuation fund would sell the investment paying \$5 interest in order to achieve a significant gain. Conversely if interest rates rose, they could sell the one paying \$3 interest and so incur a loss in order to avoid holding under-performing assets. This partly explains why cash returns vary.

It should also be remembered that virtually all superannuation funds invest into a range of assets and investments. One super

fund could hold 50% Cash and 50% Asset-backed securities (Mortgages), while another might be invested into 100% Cash. Obviously different investment allocations can result in different investment returns.

Where your fund invests will largely determine what returns you achieve. For example, the Cash option returns for the six-month period 1/7/08 – 31/12/08 for three different funds are shown in the table below.

Super-annuation Fund	Name	% return as per website (downloaded 13.1.09)	Value of \$10,000 invested on 1/7/08 as at 31/12/08
A	Cash Enhanced	0.96%	10,095
B	Cash	4.11%	10,418
C	Cash	2.91%	10,294

The lesson from this is simple. Prior to investing in your super fund Cash option, find out what they actually invest into. This will ensure that you don't incur a nasty surprise in your supposedly "low risk" superannuation cash investment.

In the current environment it is extremely difficult to predict the future direction of interest rates. Generally most commentators are predicting at least one more interest rate cut this year.

This makes it even more difficult for investors to decide whether to stick with the certainty of pure cash or to accept some volatility in pursuit of a little icing on the cake. We recommend that you seek advice from your IFFP planner.

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