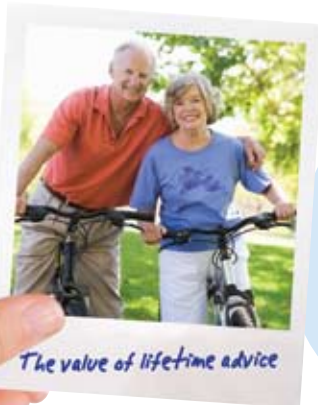


Sharemarket shows signs of recovery

After an extremely difficult 12 months for sharemarkets - both in Australia and globally - equities are starting to show signs of a return to relative stability.

A market rally since the lows of March has continued to give investors cause for optimism. The main question on everyone's lips is, is this rally for real? The truth is, we probably won't know the answer to this until after the event. However, it's helpful to look at some of the historical data about bear market rallies (see All Ordinaries Index of Bear Markets table). They show that these rallies can be very strong and provide handsome returns to investors who can hold their nerve. In many instances, the losses in a bear market have been all but wiped out by the returns from the bear market rally.

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Did you know: Right-handed people live, on average, nine years longer than left-handed people do.

Source: <http://smileyblogs-amazing-facts.blogspot.com>

Home loans - to fix or not to fix?

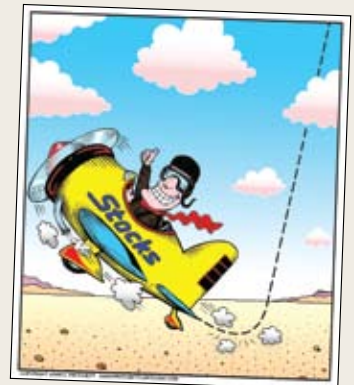
It wasn't that long ago when interest rates were skyrocketing that most mortgagees were wondering when was the "right time" to fix their interest rate. With so many unknowns facing the economy and interest rates going the other way, many are still faced with the same dilemma!

Australians now understand more than ever how the Reserve Bank of Australia uses interest rates to manage the economy. So for any mortgage holder the question of fixing your mortgage interest rate is always a very important one.

Regardless of whether rates are going up or down, before you act, carefully consider both sides - the advantages and disadvantages.

The obvious advantage is that when you fix, repayments will not increase with rising interest rates so you know in advance what your repayments will be for a fixed period, and you can usually choose one to five years. This can be helpful if funds are tight.

But what are the disadvantages? Clearly the biggest is what is happening now - borrowers having to repay at the interest rate they fixed at as they watch the variable rate drop to the lowest levels in more than 40 years. In addition, the fixed rate is generally higher than the standard variable rate and sometimes set-up fees are charged. Alternatively, if you do take the fixed option and then break the loan before the set period has expired, you will be hit with penalties.



Focus on the average

Many borrowers will automatically think it's best to pay a bit extra and tie in to a fixed rate than gamble with potential rate increases. But you should never just compare the fixed rate to the variable rate... it's the average of the variable rates over the coming three years that is your best indicator.

Unfortunately, nobody will know what the variable rates will be over any lengthy timeframe, but to give an indication based on past results, there have only been three periods since 1990 when fixing for longer than two years has been a positive move. This occurred in 1993/94, in 1998 and in the second half of 2001 (following September 11). Who knows if 2009 will be another of those occasions? Nobody.

So if you're thinking of changing to a fixed rate, think carefully and do the sums. Life is about choices and nobody should make this decision for you. The only suggestion we make is to keep paying your mortgage off regularly and making additional payments when you can afford to.

Source: <http://www.financialarticles.com.au/>

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When markets do start to rally - particularly after savage falls such as those seen in 2008 and early 2009 - there are usually several stages that investors go through.

The first is the 'denial' stage. Investors are so exhausted from successive months of large negative returns, and the general pessimism, that they don't want to believe any positive news. At this time, any view that puts forward a more optimistic stance is often scorned and even resented.

The second phase, following on from denial, is the 'capitulation' stage. Those who were originally sceptical start buying during the lows, and reduce their underweight position.

If the market stays relatively strong and there is no bad news or shocks to the system, more people start to invest on 'down days'. As a result, the downside becomes limited as the market consolidates further. Those still sitting out of the market start to feel pressured to re-enter or miss out.

The final phase of a rally is often that of 'fear'. This is driven by a fear of missing out, and investors become convinced that the bull market has started again and it's time to buy. Those who remain sceptical find the tables are turned and they are now the ones ridiculed.

It seems likely that we are now at the beginning of the capitulation phase, where the pessimists are still outnumbering the optimists but the number of optimists is growing.

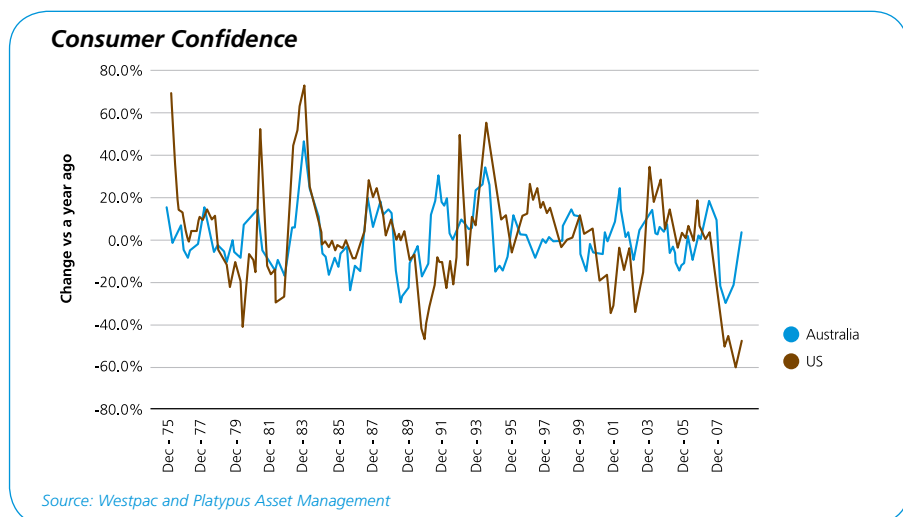
Cash levels and underweight positions are high and, as long as there are no shocks out of left field, there is a good chance that the rally will progress to the next stage where dips in the market get bought, limiting the downside, and the markets grind up from current levels.

If this continues and we progress to the 'fear' stage, the market could put on a further 20 percent from what most would consider fair value.

On the whole, the stimulus packages in Australia, combined with lower interest rates, are doing their job. For instance, retail sales have recovered since November last year and we would expect to see the retail sector achieve a three to five percent growth rate which is all high quality franchises need to keep growing their earnings.

In many ways, the market is now 'marking time' as more information becomes available to investors and the true strength of the rally is tested. It is a very good sign that a number of companies have continued to trade strongly, even make gains, despite issuing profit warnings in recent months.

Source: <http://www.australianunityinvestments.com.au/>



All Ordinaries Index of Bear Markets

Major Downturn	Beginning of downturn	End of downturn	Duration (mths)	Fall in Australian sharemarket	Recovery after 1 year
Business recession	Dec-1969	Feb-1971	14	-25.51%	11.64%
Oil price shock	Jan-1973	Sep-1974	20	-58.24%	52.85%
Recession	Nov-1980	Mar-1982	16	-36.99%	10.95%
Sharemarket crash	Sep-1987	Feb-1988	5	-44.39%	18.76%
Property crash	Aug-1989	Dec-1990	16	-27.42%	29.04%
Recession	May-1992	Oct-1992	5	-16.16%	45.33%
Bond market crash	Jan-1994	Jan-1995	12	-20.52%	24.30%
US recession and tech wreck	Jan-2002	Feb-2003	13	-18.38%	21.38%
Global financial crisis and recession	Nov-2007	?	12 mths to date	-46.4% to 30/11/08	-

Source: Colonial First State Investments Limited

Did you know: The world's costliest coffee, at \$130 a pound, is called Kopi Luwak.

Source: <http://www.scrapbookinspirationsmagazine.net/index>



It will never happen to me... but what if it did?

We all hope the nasty things won't happen to us, but what if they did? These people held the same belief until...

Patrick started his own business servicing computers last year after working for a major company for many years. He loves the freedom and control it gives him. Unfortunately a truck ran into his car and he received a severe whiplash injury. He couldn't work for two months and the loss of income has made life hard for his young family. He didn't think to arrange income protection insurance to replace the sick leave he had with his ex-employer.

Paul and Sue worked hard to reduce their mortgage and once they had some equity in their home used it to borrow to buy an investment unit. It was tenanted and had the potential for long-term capital growth. Sadly, Paul died suddenly from a stroke. On a reduced income Sue couldn't afford to keep paying the interest on the investment loan. The unit had to be sold quickly at a loss. They did not think to increase Paul's life insurance when they borrowed for the unit.

Karen is successful in business and prides herself in managing her personal finances well. She has a well-diversified portfolio of property and shares. Last year she contracted breast cancer and her work was disrupted with tests and hospital treatment for over five months. She has now recovered but the medical bills made a severe dent in her finances so she was forced to sell some shares at short notice. Karen did not know that trauma insurance would have paid her a lump sum if she was diagnosed with a critical illness.

Three important lessons can be learned from these cases.

Firstly, the unexpected can happen to anyone.

Secondly, take the time to review your insurance arrangements at least once every year. If there are changes in your circumstances – new job, new loans, family changes, etc – arrange a meeting with your adviser.

Thirdly, talk to an expert. There are many different choices of insurance and it pays to have a specialist analyse your needs and find the most cost effective solution for your circumstances.

Review your insurance policies

The last few years have been tough for insurance companies. Poor investment markets and rising claims have squeezed their profitability. As many people have discovered, premiums on many types of policies have increased. Many insurance companies have also been tougher on claims assessment.

Each time you review your insurance check your coverage and make sure you have told the insurer all the information they need to know. The last thing you want if you need to make a claim is that you're not covered or you didn't fully disclose the facts.

Checklist

- Does your income protection policy still reflect the income you are currently earning?
- Will your house insurance pay you enough to rebuild your house?
- Will your life insurance pay off all your debts and be able to support your dependants if you can't work?
- Has your car been modified in any way?
- Have you recently installed security devices or extra locking systems on your home that could reduce your premium?
- Have you installed a \$15,000 home theatre and forgotten to add it to your contents policy?
- Did you know that undertaking "high risk activities" such as skydiving or hang-gliding could void your life insurance policies?

This list is not complete but it's enough to get you thinking. Arrange a review with your adviser for a complete analysis of your insurance needs.

Source: <http://www.financialarticles.com.au/>



Follow these 5 tips to improve the quality of your sleep:

1. Have a regular wake up time and retire to bed time and try to stick to this each day. The body loves consistency and your internal body clock or circadian rhythms will be set around this regular patterning. Try to arise within a 2 hour window even on weekends. This will reduce disruption to your body clock.
2. Avoid coffee, alcohol and other stimulants prior to retiring. Look to reduce intake after 4-6 pm.
3. Try to avoid high intensity exercise and large meals after 7 pm.
4. If you are not asleep in 30 minutes then get out of bed, read or undertake another quiet activity and return to bed when drowsy.
5. Do not nap within 1-3 hours of bed time. If you do nap in the day, then aim for 20-40 minutes around lunch time.

Follow these tips for seven days in a row and watch how your sleep patterns improve.

Source: <http://www.ameliaburton.com.au/>

10 tips for managing debts

1. Do a budget.

It may seem an obvious place to start, but many people still don't have one. By itemising your expenditure, you may be able to see where you can start to save.

2. Think long-term

If you're lucky enough to get a windfall, don't go on a spending spree. Put it towards paying off a personal loan or making a one-off payment on your mortgage.

3. Get the best loan for you

Are you on the best rate? Also look at options such as a loan repayment 'holiday', restructuring your loan or refinancing.

4. Start small

Even minor reductions can help ease financial pressure, whether it's taking a packed lunch to work a couple of times a week or forgoing your weekly takeaway dinner.

5. Don't borrow too much

If you haven't yet entered the property market, wait until you've saved a sufficient deposit before buying a house. That'll mean you can buy a nicer place and/or have to borrow less. In the long run this will save you a fortune in interest. Try not to put yourself under too much pressure with a loan that you can't really afford to repay.

6. Maximise your medical expenses rebate

Try to incur major medical expenses in the same financial year so you're eligible for the medical expenses rebate.

7. Prioritise your debts

Some debts, such as borrowings for investment, are 'better' than others because they are tax deductible. Pay off 'bad debt' - borrowings for consumption - first, starting with the debt with the highest interest rate.

8. Try to avoid credit

Try to get into the habit of paying for things with cash rather than credit. You will not only stop your debt growing, you can save money in interest and fees.

9. Think about consolidating your debt

If you have several loans, you could arrange a new loan to pay off the others. You can save money doing this if the interest and fees on the new loan are less than the interest and fees on your old loans. But check the period of the new loan first; you may end up paying more over the long term.

10. Seek advice

If you're not sure whether your debt is structured correctly, whether you are accessing all the tax benefits available, or even how to set up a new budget in order to reach your financial goals, make an appointment with a professional financial adviser.

Source: Colonial First State Investments Limited

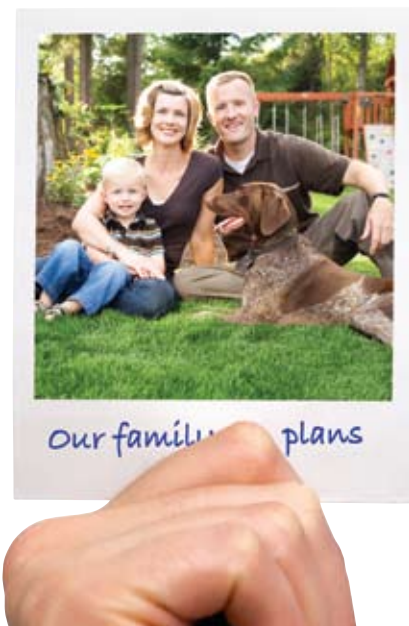
Coffee calorie counts

Not all coffee drinks are high in calories. A straight black coffee is almost a zero calorie drink and a macchiato has 8 calories. While a full cream flat white is 130 calories and a skim flat white is only 70 calories.

An example of a more decadent coffee, a large cafe mocha with whipped cream has 400 calories.

How can you avoid the calories?

- Have a smaller serve
- Try black coffee
- Change to skim
- Don't add sugar



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