



THE ADVISORY – FINANCE & MONEY MATTERS

February 2011

No Move on Cash Rate

Commentary & Opinion of Ben Kingsley - founder of Empower Wealth

As unanimously tipped by all forecasters and commentators, the RBA chose to leave the official cash rate on hold this month at 4.75%. Although the majority of sentiment is that the cash rate will move higher over the coming year, if our economy and the global economic recovery continue to build momentum.

The consensus on the flood in Queensland as well as Northern New South Wales and Regional Victoria is that it may not have the initial impact on the economy as thought, because the rebuilding process will form part of the Gross Domestic Production (GDP) moving forward. The only upside risk with these events is the inflationary pressure on materials and wages for trade persons, as the rebuilding process gets underway.

Economic indicators we need to watch into 2011, that will force the hand of the RBA are:

- Consumers Spending figures
- Employment/Unemployment & Wage Growth
- Inflation
- GDP

In my view it's still a likely bet that rates will move between 0.5% to 1% this year or within the next 18 months, but after that I just cannot see how they can keep climbing unless the mining sector grows our economy beyond a 4% GDP increase, which is referred to within the financial circles as a two speed economy, that of the rest of the us and then the mining sector. Increases of 0.5% to 1% is going to create very high levels of mortgage and overall debt stress on a very high number of households and this will impact consumer spending greatly.

Finance Talk – Higher LVR's Back in Play = Good News for First Home Buyers

Over the past few weeks we have seen several lenders adjust their Loan to Value Ratio (LVR) to allow for more First Home Buyers and Investors take on higher levels of lending against the security of the property they are purchasing. There are some lenders who are in the 100% lending space, meaning that they borrower only needs to find approx. 5% to purchase the property. In saying this, very strict lending criteria applies and long term employment

and clean credit history is the order of the day on this product.

The overall benchmark lending levels for Owner Occupier buyers has been reset to pre- Global Financial Crisis levels at 95% LVR. This, coupled with the slowdown in the property sector, is making a very strong argument for First Home Buyers to re-look at entering the market as it offers them a chance to capitalise off government incentive offers, such as the first home owner's grants along with several state incentives on offer across the country.

If you want to get an idea of what your borrowing capacity is and if you meet the eligibility criteria for these types of loan options, then why not make a free no obligation appointment with one of our Mortgage Brokers. Let them do the running around for you to find the most competitive offering. Call our office today to arrange an appointment that suits your busy schedule, either during office hours or after hours. Tel: (03) 9326 8900

For First Home Buyers – We also run very popular Information Nights for First Home Buyers – [click here](#) for more information on these events and dates

Money Talk – Why is Money Planning Important?

Imagine for a moment that you have decided that you want a new Home. However, to this point you haven't thought about what you want the home to look like, how many bedrooms, living areas, or outdoor spaces it should have, how much it might cost, or how you are going to pay for it.

How likely do you think it is that you will get what you want when you want it, if you haven't yet thought about or planned these vital decisions?

Your next logical step is to develop a plan which WILL require the assistance of qualified professionals such as:

- A Mortgage Broker or lender to see if you qualify for the loan
- A Money Planner
- A Real Estate Agent or Buyers Agent
- A Conveyancer or Legal Representative
- and, if you are building something new, you'd require:
 - Plans drawn up by a Draftsman or Architect
 - A qualified Builder
 - An Engineer
 - A Land Surveyor
 - A Town Planner to review and approval plans

All these professionals are potentially going to be required to make it happen for you and they are the ones that assist with your plan to achieve your goal/objective.

This plan now also gives you the opportunity to check and monitor the progress, make sure things are on track and refine your vision as your plan progresses, as you discuss and receive feedback from those professionals. This will ensure you will get what you want as an end result.

Now, I'd like you to go back and read those paragraphs again, but this time replacing the "new home" with "retirement", or, if you prefer, "financial independence".

Empower Wealth believes that Money Planning is a critical factor in achieving (or failing to achieve) your desired lifestyle, now and for the rest of your life. In my experience of talking to and advising people, I find that many people can describe their "dream home" in great detail, but very few have taken the time to think about their "dream life". (For an introduction of Money Planning, please refer to our December 2010 newsletter, available at

<http://www.empowerwealth.com.au/files/2056524/uploaded/Dec%20%2010%20Newsletter.pdf>.)

Money Planning is not just about making sure you can pay for things now, it's about building a road map that incorporates detailed cash flow analysis and wealth projection outcomes. The power of which when implemented into a written plan, is like seeing your wealth build, just the same way as achieved your 'new home' outcome.

Without a Plan to deliver an adequate source of funds for whatever lifestyle you choose, you may end up like the vast number of Australians reliant on the Government to fund their retirement, turning their dream life into a nightmare.

Money Planning is critical, but it is not something that comes naturally to most people. Getting started can be a challenge. At Empower Wealth, we have developed a range of tools to assist with this vital task. MOST IMPORTANTLY, we'll be demonstrating some of these at our next Private Circle Wealth Forum on the 17th February from 6pm til 8.30pm. To join us at this Forum, please register at <http://www.empowerwealth.com.au/privatecircle>.

To find out more about the Money Planning services offered by Empower Wealth, please visit us at <http://www.empowerwealth.com.au/privateclient>.

PRIVATE CIRCLE WEALTH FORUM - 17th FEBRUARY

**Thursday 17th February
6:15pm til 8.30pm**

Topics:

My Success Story: Catherine Bakos – 17 properties and still going strong!!

What I've done right & wrong on our journey to a multi-million dollar property portfolio

LIVE Demo of Advanced Cash Flow Strategies to build Wealth through Property -

Watch and participate in a live demonstration of how we are able to help assess and construct a Wealth and Retirement Plan using Property Investment (Multimillion Dollar Portfolio built in 10 – 20 hours per year)

Risk Management Strategies –

Hear from our Financial Advisor on the areas in which risk can be minimised through personal insurances, when engaging in an investment strategy that incorporates debt (leverage)

A MUST ATTEND EVENT

\$5pp donation to Royal Children's Hospital Foundation

[Click Here to confirm your booking](#)

UPCOMING PROPERTY & INVESTMENT WORKSHOPS

Thursday 3 rd Feb	-	First Home Buyers Information Night (BOOKED OUT)
Thursday 17 th Feb	-	Private Circle Wealth Forum (Click Here)
Tuesday 22 nd Feb	-	Hot Property Research Workshop (<i>formerly eSearch</i>)(Click Here)
Wednesday 2nd March	-	How to Build a Property Portfolio (Click Here)
Wednesday 9 th March	-	First Home Buyers Information Night (Click Here)
Tuesday 15 th March	-	Money, Investing & Finance + Intro. Property Investing (Click Here)

Founding Director's Comment – 10 to 20 Hours a Year to Become a Multi Millionaire

If you are reading this article the heading has obviously got your attention. Imagine if you could only work for 10 to 20 hours a year and build a multimillion dollar wealth base. It's attractive isn't it, given that we spend over half of our 'awake time' working to make money.

So what's involved? This strategy is about outsourcing the responsibility to qualified professionals to help you achieve such a wealth outcome. Reading between the lines, this is the time it would take for one of our private clients to handle their responsibility of looking after a portfolio of 3 residential investment properties, whilst their team of professional takes care of the rest of the responsibilities and duties.

Let me give you a break down.

Your time is going to spent managing your properties, but not the day to day stuff, you're the boss of these properties remember and you are going to outsource the day to day management to a licensed Property Manager. Your 10 to 20 hours a year is spent doing the following:

- Giving Instructions to your Property Manager regarding repairs & maintenance
- Preparing financials for your accountant and meeting with them at tax time
- Sending monthly lending statements & 6 monthly meetings with your Empower Wealth Team of Specialists

If someone offered you the opportunity to help you create a multi-million dollar wealth base and it only took this much time out of your busy life, so in fact you could actually make your life so much more enjoyable with so much more free time, then surely it's got to worth considering.

So if this is still sounding like something you want to investigate and understand further this is what I want you to do. Invest 2.5 hours of your time by attending this month's [Private Circle Wealth Forum](#). I along with my team are going to showcase in more detail how this is possible via a live demonstration of how outsourcing most of the work required to qualified and experienced professionals can have a dramatic impact on your wealth for the future, yet in real terms not impact on what precious free time to have. In fact, if you implement some of the information you learn on the night, you should have far more free time it do what you wish!

Those of you who are long time readers of my comments and also those new to this newsletter, this is the very first time I have ever made mention of an upcoming event in my monthly commentary, that's because this particular forum is really going to be the best event we have put together, the content is relevant to all who attend, especially what I am talking about above, so do whatever you can to get along.

[Click Here](#) to learn more about the forum and to reserve your seat and that of anyone else you think will benefit from attending.

Remember knowledge is empowering! - *If you do something with it!*

Ben Kingsley

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