



## THE ADVISORY – FINANCE & MONEY MATTERS - May 2011

### This Month's Topics:

- Cash Rates Sitting Tight
- Finance Talk: \$13,000 in loan set up cost savings!
- Money & Wealth Talk: Money & Wealth Planning – How to get started
  - Next Wealth Forum – Thursday 19<sup>th</sup> May
- Director's Comment: My Greatest Fear, Disappointment & Potential Regret
  - Lender Interest Rate Forecast

### RBA sitting tight on Cash Rate

#### *Commentary & Opinion of Ben Kingsley - founder of Empower Wealth*

The RBA has left the official cash rate on hold again in May, making it 6 months since the last cash rate movement. Minutes from the previous RBA board meeting certainly indicated that the board position was that rates remained adequate for the near term, as subdued consumer spending and the impacts of major disasters still filter through the economic numbers.

The latest quarterly inflation data released last week sparked some interest as the headline inflation reading was 1.6% higher moving it outside the RBA stated comfort range. However, don't panic, the underlying inflation reading, which is the preferred reading for the RBA rose by 0.85% for the quarter, which took this reading to an annual rate of 2.25%, which lies within the 2-3% range the RBA uses as its comfort range for inflation.

These increases were lead by rises in food (most likely influenced by Queensland dual disasters), fuel, health care and education.

Most economic forecasts are still factoring one or two rate rises before the end of the year. St George are on record as saying they see a rate rise in August and November to put the brakes on what they believe will be a robust economy. I'm going to go on record to say I can only see one rate rise this year with a second possible rise in early 2012, pending on consumer spending.

Once again if these rate rises occur, house prices will suffer, but not in all states and suburbs. Rate rises of 50 basis points from this point are definitely going to affect most outer rim suburbs and new estate values, where there are high levels of mortgage and household debts and it might also have an impact in market sentiment at the top end of town, as the masses listen to the 'noise' of the press and scare themselves into submission.

## FREE WEBINAR – Learn How to Build a Multi-Million Dollar Property Portfolio

This webinar will outline the essential elements of what's required to build a multi-million dollar property portfolio that will provide fantastic passive investment income and capital growth for today and into your retirement years.

This is not a 'get rich quick' event offering untold wealth potential, it's a serious look at the steps and processes required to make a positive financial impact on your life.

In this webinar we will demonstrate the theory and tools we use to help our clients build superior wealth that will provide them with a wonderful income and wealth base for their retirement years. We have also allowed ample time for questions, so that we can demonstrate to you that our approach can accommodate almost everyone's financial circumstances and still be able to help them improve their wealth position over the medium to long term.

This webinar is a must attend for anyone considering using residential property as part of their investment strategy to grow wealth and provide for themselves and their families.

Book now to confirm your attendance

**REGISTER NOW - [CLICK HERE](#)**



*Build a value base of property to provide you passive investment income for the future!*

### Finance Talk: \$13,000 saving on loan set up costs!

At Empower Wealth we believe that making sure you have the right finance structure is paramount to the success you will achieve in your wealth building journey. In this newsletter I would like to share a story of how we were able to save a client \$13,000 in loan set up costs, by ensuring that they had their loans structured in a way that was cost effective as well as flexible.

Bill and Mary (names changed for privacy reasons) made an appointment to discuss their lending options after they had purchased a new owner occupied home. The couple had an existing investment property and after the successful negotiation of the new purchase went to see their in branch lender who had organised the original loan on the investment property.

The couple needed funds to pay the deposit and the branch lender suggested that they take the funds from the equity in their investment property and also set up the loan for the new purchase and the best way to do this was to cross-securitise their properties. As the couple did not have a huge cash reserve they needed to borrow an amount that would push them to a Loan to Valuation Ratio that would mean they would need to pay Mortgage Insurance. The quote they received for the insurance was in the order of \$27,000. The reason this was such a significant amount was because of the properties being cross securitised, which meant the bank was going to charge the insurance on the entire loan amount.

The clients sought a second opinion from Empower Wealth and the discussion centred on structuring the loans in a way that would reduce the amount of mortgage insurance that they needed to pay. By keeping the properties as standalone securities we were able to decrease the Loan to Value Ratio across each of the properties in such a way as to decrease the amount of Mortgage Insurance that was payable by the clients to \$14,000. Our finance restructuring kept the investment and owner occupied debt separate, which was important for tax deduction reasons also. The structure also allowed for future flexibility of the couple's portfolio to enable them to continue on their investing journey, so further anticipated savings can be enjoyed.

In addition, because we have a panel of over 30 lenders offering us a choice of hundreds of lending products for our clients, we were also able to beat

the interest rate offered by their existing lender and we got a cheaper and more flexible deal for these clients that wasn't available from their existing lender, again saving them even more over the longer term on their loan – which translates to more savings for them and a chance to utilise this improved cash flow to grow their wealth even more.

This is a great example of why careful consideration of your finance structure is a very important part of the finance process. You could be losing thousands of dollars in fees and charges that could be avoided because you don't understand or you didn't know about alternative loan structuring options that banks fail to tell their customers about.

Seeking advice from professionals who are specialists in this area will give you finance options that are in your best interests for now and into the future. At Empower Wealth our sole job is to work for our customers, not any lender. Staff working for banks will always tell you they can offer you more, but with only a couple of lending offers and limited skills in sophisticated loan structuring, due to limited knowledge and experience.....well this is just another example of us proving its best to get someone working with your best interest in mind as opposed to bank staff being loyal to their Bank instead of you.

Cameron Morgan – Finance Advisor & Head of our Mortgage Broking Division

## Money & Wealth Talk: Money & Wealth Planning – How Do You Get Started?

As we have highlighted in recent newsletters ( <http://www.empowerwealth.com.au/latestnews> ), Money Planning is a critical factor in achieving your goals and dreams, and the earlier you get started, the better the outcome is likely to be. So, where to begin?

Like any other form of planning you may do in life, Money Planning involves the three basic steps of knowing where you are now, knowing where you want to be (and when), and deciding on the best way to get from here to there.

In many planning situations, the first step, knowing where you are now, is taken for granted. For example, if you're planning a holiday, you generally know you'll be starting from home. In Money Planning, however, very few people have a clear and complete view of the current state of their personal household finances, so getting this information together is the essential first step.

We begin by looking at the four key dimensions of Money - what you earn, what you spend, what you own and what you owe, or, in more technical terms, Income, Expenditure, Assets and Liabilities. In a business environment, information about Assets and Liabilities would be captured in a *Statement of Financial Position* (previously known as a Balance Sheet) and information about Income and Expenditure would be recorded in a *Statement of Financial Performance* (known as a Profit and Loss Statement).

For a business, this information must be recorded in a way that complies with Accounting Standards, but from a household perspective, it isn't all that important how this information is recorded. You could use anything from pencil and paper, to a simple spreadsheet, to a fully-fledged Accounting software package - the main thing is that the information is clear and complete and provides you with the information needed to begin preparing your Plan.

The types of information that would be needed would include :

- your salary and other income
- a rough idea of the amounts you pay on regular bills, such as Council Rates, Water, Electricity, Gas, Phone, Internet, House and Contents Insurance, Health Insurance, Life Insurance, Car Registration and Insurance, etc.
- an estimate of your other spending, including
  - food and groceries,
  - other household costs ( e.g. furniture, furnishings, maintenance ),

- vehicle costs ( e.g. petrol, maintenance, parking, tolls ) and
- lifestyle spending ( e.g. dining out, entertainment, clothing, medical, sport and hobbies, pets, gifts, donations, etc. )
- the approximate current value of your Assets, including
  - Family Home,
  - any Savings Accounts or Mortgage Offset accounts,
  - Superannuation Funds, and
  - Investment Property and other Investments
- details of any current Borrowings, including
  - Mortgage,
  - Credit Cards,
  - Store Cards,
  - Personal Loans, Car Loans, etc., and
  - any money borrowed for Investment purposes.

Most people can track down information about their Income and Borrowings, and make a reasonable estimate of the value of their assets, but the real challenge is in estimating what you spend. One approach is to track your spending over a period of time, and again the tools for doing this can range from basic to quite powerful.

At Empower Wealth, we have developed a simple yet powerful tool to capture all the information needed to give you a clear picture of your current financial position. So one way to get started with Money Planning is to book a free one hour consultation with us, where we can demonstrate the range of tools we have developed to assist with this vital task. To find out more about the Money Planning services offered by Empower Wealth, please visit us at <http://www.empowerwealth.com.au/privateclient>

Michael Pope – Money & Wealth Analyst.

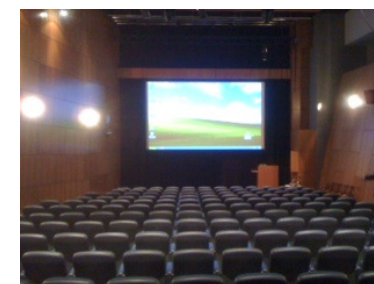
## PRIVATE CIRCLE WEALTH FORUM – Thursday 19<sup>th</sup> May

Our second of only three educational property wealth forums for this year is scheduled for Thursday 19<sup>th</sup> May from 6.30 til 8.30pm.

Topics to continue to build your knowledge on the night are:

- The Federal Budget – What it means to your household and property investors
- Guest Speaker – Nicole Faid: talks about property contracts – the most important things to know!
- Panel of Experts – We have assembled a panel of qualified specialist in the fields of Taxation, Property Law, Finance and Real Estate to answer your questions about buying property and property investing.

This event is well worth your attendance fee of \$5, which is donated to the Royal Children’s Hospital Foundation  
To learn more and to reserve your seat NOW visit [www.empowerwealth.com.au/forum](http://www.empowerwealth.com.au/forum)



Telstra Corporate Centre – Venue for SMSF Event

## UPCOMING MAY WEBINARS & WORKSHOPS

- |                                    |   |   |
|------------------------------------|---|---|
| <b>Monday 9<sup>th</sup> May</b>   | - | <b>How to Build a Multi-Million Dollar Property Portfolio FREE WEBINAR (<a href="#">Click Here</a>)</b> |
| <b>Tuesday 24<sup>th</sup> May</b> | - | <b>First Home Buyers Information Night (<a href="#">Click Here</a>) FREE EVENT</b>                      |

## Founding Director's Comment – My Greatest Fear, Disappointment & Possible Regret

In taking a moment to reflect on what Jane (my wife) and I have been able to achieve financially over our 16 years of investing in residential property and amassing a multi-million dollar property portfolio before the age of 40, it once again highlights to me a couple of valuable lessons that have resulted in our household becoming financially independent and with so much to look forward to in our lives, knowing we have a wealth base that can sustain us.

The first lesson is 'look over the hill into the distance'. If I had of made decisions based on the certain short term economic cycles I would be like the other 95% of the population whose financial position for themselves and their families is restricted by income and cashflows, because they hadn't yet or won't be able to allocate any cashflows to investments that deliver passive incomes and wealth.

Another valuable lesson is to take responsibility and action. I didn't just dream it, we did it with the help and input from specialists and a determination to say and believe we could have more, whilst also enjoying the journey. The greatest excitement for us is we are still looking to do more, by undertaking major renovations to extend our home and make it our dream home. Plus adding another investment property in our trust and one in our self managed super fund. All planned out to occur as per our detailed money and wealth plan over the next 10 years, at which point I'll be in my 50<sup>th</sup> year and have the luxury to call it a day from working.

With such a positive road ahead for me and my family, you might be wondering what this has got to do with FEAR, DISAPPOINTMENT and REGRET.

It's simple really. Let me break it down for you:

**Greatest Fear:** Is that I won't have all my friends in the same position as we are in. They will be going to work, whilst we travel Australia, the world, participate in our children's education and sport etc. (I want to have my mates around to play golf with whenever or wherever). So the fear story is around not helping as many people as I possibly can through Empower Wealth to enjoy what we currently enjoy and what the future holds for us in terms of superior lifestyle and living standards.

**Disappointments:** Not enough people are listening to my message or taking action to ensure they improve their household's quality of life and standard of living through passive investments. I understand we as humans are 'interesting creatures' with independent thoughts and ideals, (that's what makes us so interesting), but the hard facts are clear – as with any education to gain knowledge you need to find teachers you can trust and have proven results to get you ahead.

So the disappointing thing for me is our team at Empower Wealth doesn't have the time and resources to help everyone, but we do have the capacity to help a select, say 1000 households if they are willing to entrust us and take action with us. So I get disappointed when some people seek help and guidance, but are misled by those who's interested align to themselves or those who, when they do find a trusted professional partner for this journey they continue to fail to take action. (For the record in our 3 years of operation we have around 450 Households currently working with us)

**Possible Regrets:** This is and always will be the hardest for me to hear because in my mind it triggers a sense of failure on my part.

Its hearing someone tell me that they should have listened to me and my team earlier because our advice and predictions were RIGHT. Meaning, they realise that all those who listened to us and sought our professional services, are financially better off and their past decisions of not taking action back then has cost them financially. Bottom-line is it means it's impacted on their quality of life and standard of living.

My regret will be for those that opted not to take on mine and my teams teaching and services is that our message did not get through to them and we

couldn't help them achieve greater wealth.

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

Ben Kingsley  
Founder – Empower Wealth

### Interest Rate Forecasts

#### Westpac Forecast – Week 1 Nov 2010

	Latest (Oct 29)	Dec 10	Mar 11	Jun 11	Sep 11	Dec 11
Cash	4.50	4.50	5.00	5.25	5.25	5.25
90 Day Bill	4.87	4.80	5.25	5.50	5.50	5.50
3 Year Swap	5.31	5.40	5.50	5.70	5.70	5.70
10 Year Bond	5.07	5.35	5.50	5.50	5.50	5.50
10 Year Spread to US (bps)	253	300	325	300	275	225

#### Westpac Forecast – Feb 2011

	Latest (Feb 25)	Mar 11	Jun 11	Sep 11	Dec 11	Mar 12
Cash	4.75	4.75	4.75	5.00	5.00	5.25
90 Day Bill	4.96	4.95	5.00	5.25	5.25	5.50
3 Year Swap	5.43	5.60	5.45	5.35	5.50	5.55
10 Year Bond	5.55	5.70	5.50	5.20	5.40	5.50
10 Year Spread to US (bps)	211	210	220	210	210	210

Source: [westpac.com.au](http://westpac.com.au)

#### Westpac Forecast – 29 April 2011

	Latest (Apr 29)	Jun 11	Sep 11	Dec 11	Mar 11	Jun 12
Cash	4.75	4.75	5.00	5.00	5.00	5.25
90 Day Bill	4.92	5.00	5.25	5.25	5.25	5.40
3 Year Swap	5.46	5.60	5.65	5.70	5.70	5.80
10 Year Bond	5.43	5.50	5.20	5.40	5.50	5.60
10 Year Spread to US (bps)	212	175	210	220	210	180

Source: [westpac.com.au](http://westpac.com.au)

#### ANZ Forecast – 17<sup>th</sup> September 2010

AUSTRALIAN INTEREST RATES	CURRENT	DEC.10	MAR.11	JUN.11	SEP.11	DEC.11
RBA cash rate	4.50	5.00	5.25	5.50	5.75	6.00
90 day bill	4.78	5.30	5.60	6.00	6.00	6.2
3 year bond	4.76	5.10	5.50	5.70	6.00	6.00
10 year bond	5.12	5.50	5.70	5.80	6.00	5.90
3s10s yield curve	0.37	0.40	0.20	0.10	0.00	-0.10
3 year swap	5.16	5.50	5.90	6.10	6.40	6.40
10 year swap	5.59	6.05	6.25	6.35	6.55	6.45

### ANZ Forecast – 5<sup>th</sup> November 2010

AUSTRALIAN INTEREST RATES	CURRENT	DEC 10F	MAR 11F	JUN 11F	SEP 11F	DEC 11F
RBA cash rate	4.75	4.75	4.75	5.00	5.25	5.50
90 day bill	4.99	5.00	5.05	5.20	5.45	5.70
3 year bond	5.02	5.00	5.20	5.60	5.90	5.90
10 year bond	5.24	5.20	5.30	5.60	5.80	5.70
3s10s yield curve	0.22	0.20	0.10	0.00	-0.10	-0.20
3 year swap	5.42	5.40	5.60	6.00	6.30	6.30
10 year swap	5.78	5.75	5.85	6.15	6.35	6.25

Source: anz.com.au

ANZ has not update their forecast since Nov 5, 2010

### St George Forecast as at 30 Sept '10

End Period:	2010				2011			
	Q4	Q1	Q2	Q3	Q4 (f)	Q1 (f)	Q2 (f)	Q3 (f)
RBA Cash Rate, %	3.00	3.75	4.50	4.50	4.50	4.75	5.00	5.25
90 Day BBSW, %	4.35	4.14	4.87	4.89	4.80	5.10	5.30	5.55
3 Year Bond, %	5.00	4.65	4.99	4.78	4.90	5.10	5.35	5.65
3 Year BBSW, %	5.70	5.42	4.97	5.25	5.35	5.60	5.95	6.30
10 Year Bond, %	6.00	5.56	5.09	5.00	5.25	5.50	6.00	6.20

St George Forecast as at 10<sup>th</sup> December 2010

End Period:	2010				2011			
	Q1	Q2	Q3	Q4	Q1 (f)	Q2 (f)	Q3 (f)	Q4 (f)
RBA Cash Rate, %	3.75	4.50	4.50	4.75	4.75	5.00	5.25	5.25
90 Day BBSW, %	4.14	4.87	4.80	4.98	5.00	5.25	5.50	5.75
3 Year Bond, %	4.65	4.99	4.90	5.27	5.20	5.60	5.90	5.90
10 Year Bond, %	5.56	5.09	5.00	5.55	5.50	5.60	5.70	5.80

**St George Forecast as at 13<sup>th</sup> April 2011**

End Period:	2010			2011			2012	
	Q2	Q3	Q4	Q1	Q2 (f)	Q3 (f)	Q4 (f)	Q1 (f)
RBA Cash Rate, %	4.50	4.50	4.75	4.75	4.75	5.00	5.25	5.50
90 Day BBSW, %	4.87	4.80	4.98	4.93	5.00	5.25	5.50	5.75
3 Year Bond, %	4.99	4.90	5.27	5.04	5.60	5.90	5.90	5.90
10 Year Bond, %	5.09	5.00	5.55	5.49	5.70	5.80	5.90	6.00

*Source: MONTHLY ECONOMIC OUTLOOK April 2011*

**NAB - Global & Australian Forecasts April 2011**

	Calendar Year		
	2011 - F	2012- F	2013-F
RBA Cash Rate	5.25	5.25	5.25

**Source: NAB Global & Australian Forecasts – April 2011 – [www.nab.com.au](http://www.nab.com.au)**

**Important:**

The information contained in this newsletter is provided for Australian residents only. The information may not comply with the laws of another jurisdiction. The newsletter information is general in nature and often opinion based and does not take into account the particular investment objectives or financial situation of any potential reader. It does not constitute, and should not be relied on as, financial or investment advice or recommendations (expressed or implied) and it should not be used as an invitation to take up any investments or investment services. No investment decision or activity should be undertaken on the basis of this information without first seeking qualified and professional financial advice. Empower Wealth nor its employees or contractors do not represent or guarantee that the information is accurate or free from errors or omissions and therefore provide no warranties or guarantees. Empower Wealth disclaims any and all duty of care in relation to the information and liability for any reliance on investment decisions, claiming the use or guidance of this newsletter or information contained within it. The newsletters information is subject to regular change and market forces.

To unsubscribe from the Empower Wealth newsletter, email 'Unsubscribe' to [admin1@empowerwealth.com.au](mailto:admin1@empowerwealth.com.au)