



THE ADVISORY – FINANCE & MONEY MATTERS

November 2010

Cash Rate Up 0.25%

Commentary & Opinion of Ben Kingsley, founder of Empower Wealth

Unless you have been living under a rock you would by now know that the RBA lifted the official cash rate by 0.25% to 4.75% yesterday afternoon. The first rise in over 6 months. They saw it prudent to move the cost of money higher, in light of the relatively strong economy and a growing global outlook. This will most likely be the last rate rise for 2010, and that means that February is the next time the cash rate comes under the microscope and there is a lot of economic data to flow under the bridge between now and then.

I've been mentioning for some time the key data for Cash Rate movements is GDP, Consumer Spending, Inflation, Employment (& Wage Growth) and, Asset Values (House Values). The RBA moved the cash rate up because it saw GDP moving higher, it is believed inflation is set to move upward and has evidence of strong employment and possible wage growth. The only key data area that is not firing is consumer spending.

For me, consumer spending is what's going to limit further rate rises, as those with mortgages struggle to allocate surplus income to consumables, given the rising cost of repaying their mortgage. Basically, what I am saying is the affordability equation is one that will ultimately slow future cash rate increases. How? In very simple terms, if you have no money to spend on discretionary items, then those discretionary businesses suffer to a point where they lay off staff, which affects employment levels and ultimately impacting GDP, which will slow the economy.

So the million dollar question is - what's the magical level of retail interest that will slow us? Bill Evan from Westpac talks about this retail level being around 7.5%, from which point affordability will be a major barrier to economic growth, affecting employment and hopefully therefore seeing rates no longer increasing and potentially seeing them come down again.

One thing is for sure.....interesting times ahead.

Time to Vote with your Feet?

CBA's increase was an aggressive one, but we suspect other lenders to follow. So the question to you is - are you ready to let us do the shopping for you to

get you a better deal? We have access to over 1000 loan products from the majors as well as the smaller players. If you are determined to get a better lending outcome, it might be time to speak to us. Simply call our office and ask to speak to one of our Mortgage Broking Specialists. They will get the wheels in motion to conduct a home loan health check for you, to ensure the best deal is the one you have for your circumstances. Call us today or email enquiries@empowerwealth.com.au and just mention Home Loan Health Check. It's a FREE service, and we do all the shopping around, negotiations with the lender and handle all the application paperwork. Furthermore with our annual reviews, we'll make sure you are well placed to get a competitive loan today and tomorrow!

Big Banks – Big Profits

Further to the base rate rise has been the move to date of CBA lifting rates an additional 20 basis points (0.45%). Get set for others to also move their rates higher than the RBA increase. Yet they might not announce it until maybe 6pm on Friday night to avoid the media scrutiny that CBA is facing right now. Bottom line on this is the bank's cost of funding is increasing as they rollover longer term debt obligation they held internationally at cheaper rates, which are now costing them more to refinance and lend out to consumers. Here's the deal, for them to continue to deliver huge profits to keep their shareholders happy and share prices and executive salaries healthy, in their views they needed to make this call. They simply don't lose do they?

So you have a couple of options – make a statement and move your lending to another lender in the hope they don't stab you in the back moving forward or the other option might be to talk to our Financial Planner – Michael Savy about the prospect of buying shares in either your bank or get his recommendation into which bank to invest. Why – well given they have paid healthy dividends in the past, it might be the only way to get something back from these companies.

Last Education Workshops for 2010

Mon 8 th Nov - Thur 18 th Nov	-	First Home Buyer Information Sessions
Wednesday 10 th Nov	-	eSearch Superior Performing Property
Tuesday 16 th Nov	-	How to Build Wealth through a Property Portfolio
Wednesday 24 th Nov	-	Money Investing & Finance & Introduction to Property Investing

Success Stories – High Achievers.....

In our ongoing series on Clients Creating Wealth

The last 18 months has been very positive for our client's growing wealth through their property purchases. Given we usually only feature one success story each month, we will never get through all the successes our clients are having, so here is a sample of just a few of our clients results. The thing these clients have in common is they not only used our Mortgage Broking service, but they also received education about property and finance through one or more of our workshops. Increasing our client's wealth position is why we are in business, and what we do certainly adds significantly more wealth, which hopefully overcomes some of the frustration in what the banks are currently doing.

Name/s	Suburb	Purchase Price	Date	Current Value	Increase (\$)	Increase (%)	Compound Return p.a
John & Sarah	Northcote	\$450,000	September 2008	\$844,100	\$394,100	88%	34%
Trudi & Andrew	Dee Why	\$732,000	September 2008	\$868,500	\$136,500	19%	8%
Mary & Jack	Altona Meadows	\$288,000	October 2008	\$373,900	\$85,900	30%	13%
Josh	Reservoir	\$261,000	January 2009	\$335,000	\$74,000	28%	15%
Brett	Hawthorn	\$301,000	February 2009	\$358,100	\$57,100	19%	11%
Larry & Liz	St Kilda East	\$840,000	February 2009	\$1,001,600	\$161,600	19%	11%
Brad	Elsternwick	\$795,000	April 2009	\$1,079,300	\$284,300	36%	21%
Mark & Anne	Croydon North	\$351,000	June 2009	\$436,000	\$85,000	24%	17%
Lara & Peter	Kensington	\$423,500	June 2009	\$572,800	\$149,300	35%	24%
Nick & Jess	Seddon	\$441,200	July 2009	\$563,500	\$122,300	28%	20%
Tanya	South Yarra	\$372,000	August 2009	\$434,900	\$62,900	17%	13%
Jenny	Glen Huntley	\$236,000	August 2009	\$336,800	\$100,800	43%	33%
George & Fiona	Hawthorn	\$1,300,000	August 2009	\$1,449,100	\$149,100	11%	9%
Bianca & Sam	Reservoir	\$405,000	September 2009	\$521,300	\$116,300	29%	24%
Lisa & Aaron	Richmond	\$385,000	October 2009	\$437,500	\$52,500	14%	13%
Michelle & Jason	Brunswick	\$638,500	October 2009	\$700,000	\$61,500	10%	9%
Kim	St Kilda East	\$333,000	November 2009	\$389,000	\$56,000	17%	17%
Claire	Port Melbourne	\$421,120	November 2009	\$481,600	\$60,480	14%	15%
Jane & Sally	Lower Plenty	\$1,015,000	December 2009	\$1,100,000	\$85,000	8%	9%

* The valuations provided are estimated values generated by an independent property research house—Residex Pty Ltd or actual bank valuations reported to Empower Wealth. Empower Wealth does not provide any warranties or guarantees based on the valuations provided by this independent party. It's recommended you use this information as a guide only. Our clients names have been changed to protect their identity.

Directors Comment –

Following on from my the topic I spoke about (Money & Wealth Mindset) at last week's forum, I believe strongly in the topic that I wanted the thousands of subscribers to our newsletter to also benefit from this message that mindset is the key thing that limits us to reach our full potential, so I will continue on the topic in this month Director's comment.

Napoleon Hill summed it up best when he wrote: "There are no limitations to the mind except those we acknowledge" and "Both poverty and riches are offsprings of thought"

I read an interesting book recently around money personalities written by Kathleen Gurney Ph.D. It's a US based book and research piece, but it

certainly crosses with my experience of Australian's human behaviours around money. It's basically a physiological study on people's human nature relating to our money habits, from the study conducted they put people into several money types' personalities.

The questionnaire study asked a variety of questions which measured attitudes (personal values) on thirteen financial traits:

- **Involvement**
- **Pride**
- **Emotionality**
- **Altruism**
- **Anxiety**
- **Power**
- **Work ethic**
- **Contentment**
- **Risk taking**
- **Self determination**
- **Spending**
- **Reflectivity**
- **Trust**

Here are the personalities developed from the study:

1. **Entrepreneurs** – High risk takers, High work ethic, High Pride, High Risk-Taking
2. **Hunters** – High Emotionality, high Anxiety, High Power, High Spending
3. **High Rollers** – High Emotionality, high Anxiety, High Power, High Risk-Taking, High Spending
4. **Safety Players** – High Spending
5. **Achievers** – High involvement, High Pride, High Emotionality, High Work Ethic, High Contentment, High Self Determination, High Reflectivity
6. **Perfectionists** – High Altruism, High Anxiety, High Self Determination, High Reflectivity
7. **Money Masters** – High Involvement, High Emotionality, High Altruism, High Work Ethic, High Contentment, High Self Determination, High Reflectivity, High Trust
8. **Producers** – High Altruism, High Anxiety, High Power, High Work Ethic, High Self Determination, High Trust
9. **Optimists** - High Pride, High Contentment, High Spending, High Trust

These 9 personality types were developed based on a study about how people feel about money and how their attitudes and feelings affect the way they earn, invest and enjoy their money. Importantly, in determining these money personalities it was solely based on attitudes (personal values) no determination was based on current income or level of wealth or demographics.

Empower Wealth will be doing more in this space going forward as we strive to ensure people understand the link between money attitudes (personal values) and how they affect your use of money, so watch this space. For now, this article has hopefully achieved two things – firstly to show you there is a link between your attitudes and your money and secondly to also let you know that these personalities are learnt personalities. So they can be changed if you are willing and wanting to achieve your personal and financial goals in life. Through working with Empower Wealth to better educate yourself more about how you interact with your money, the better off financially I believe you will become.

For the record I'm an Achiever.....

Remember, knowledge is empowering!

Regards

Ben Kingsley

Interest Rate Forecasts

Westpac Forecast – Week 29 March 10

Interest rate forecasts

	Latest (Apr 1)	Jun 10	Sep 10	Dec 10	Mar 11	Jun 11
Cash	4.00	4.25	4.50	4.50	4.50	5.00
90 Day Bill	4.44	4.50	4.60	4.75	4.75	5.25
3 Year Swap	5.54	5.50	5.60	5.70	5.80	5.95
10 Year Bond	5.78	5.90	6.00	6.00	6.10	6.75
10 Year Spread to US (bps)	194	250	225	200	160	150

International

Fed Funds	0.125	0.125	0.125	0.125	0.125	0.50
US 10 Year Bond	3.83	3.40	3.75	4.00	4.50	5.25
ECB Repo Rate	1.00	1.00	1.00	1.00	1.25	1.50

Westpac Forecast – Week 28 June 10

Interest rate forecasts

	Latest (June 25)	Sep 10	Dec 10	Mar 11	Jun 11	Sep 11
Cash	4.50	4.75	5.00	5.00	5.25	5.50
90 Day Bill	4.95	5.00	5.20	5.20	5.50	5.75
3 Year Swap	5.19	5.50	5.90	5.90	6.10	6.25
10 Year Bond	5.28	5.60	5.90	5.90	6.00	6.00
10 Year Spread to US (bps)	215	220	240	190	180	150

Westpac Forecast – Week 27 Aug 10

Interest rate forecasts

	Latest (Aug 27)	Sep 10	Dec 10	Mar 11	Jun 11	Sep 11
Cash	4.50	4.50	4.50	4.75	5.00	5.00
90 Day Bill	4.75	4.75	4.75	5.00	5.25	5.50
3 Year Swap	4.76	5.10	5.20	5.40	5.50	6.00
10 Year Bond	4.78	5.20	5.30	5.30	5.30	5.50
10 Year Spread to US (bps)	230	250	230	200	170	170

Westpac Forecast – Week 1 Nov 2010

Interest rate forecasts

	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

Source: westpac.com.au

ANZ Forecast – 9th April

AUSTRALIAN INTEREST RATES	CURRENT	JUN 10 F	SEP 10 F	DEC 10 F	MAR 11 F	JUN 11 F
RBA cash rate	4.25	4.25	4.75	5.00	5.25	5.50
90 day bill	4.54	4.40	4.90	5.20	5.40	5.70
3 year bond	5.30	5.30	5.40	5.50	5.50	5.75
10 year bond	5.82	5.70	5.70	5.70	5.70	5.85
3s10s yield curve	0.53	0.40	0.30	0.20	0.20	0.10
3 year swap	5.55	5.70	5.80	5.90	5.90	6.15
10 year swap	6.24	6.25	6.25	6.25	6.25	6.40
INTERNATIONAL INTEREST RATES	CURRENT	JUN 10 F	SEP 10 F	DEC 10 F	MAR 11 F	JUN 11 F
RBNZ cash rate	2.50	2.50	2.75	3.25	3.50	4.00
NZ 90 day bill	2.68	2.73	3.17	3.67	3.75	4.58
US Fed funds note	0.25	0.25	0.25	0.75	1.25	1.75
US 2 year note	1.07	1.10	1.40	1.80	2.20	2.70
US 10 year note	3.89	4.60	4.70	4.80	4.80	4.80
Japan call rate	0.10	0.10	0.10	0.10	0.10	0.10
ECB refinance rate	1.00	1.00	1.00	1.00	1.50	1.75
UK repo rate	0.50	0.50	0.50	0.50	1.00	1.25

For additional information on interest rates please refer to ANZ's *Interest Rate Strategy Weekly*.

ANZ Forecast – 21st May

AUSTRALIAN INTEREST RATES	CURRENT	JUN 10 F	SEP 10 F	DEC 10 F	MAR 11 F	JUN 11 F
RBA cash rate	4.50	4.50	5.00	5.25	5.50	5.75
90 day bill	4.67	4.80	5.20	5.50	5.80	6.00
3 year bond	4.75	5.40	5.40	5.55	5.55	5.85
10 year bond	5.41	5.70	5.70	5.70	5.70	5.85
3s10s yield curve	0.67	0.30	0.30	0.15	0.15	0.00
3 year swap	5.08	5.80	5.80	5.95	5.95	6.25
10 year swap	5.87	6.20	6.25	6.25	6.25	6.40
INTERNATIONAL INTEREST RATES	CURRENT	JUN 10 F	SEP 10 F	DEC 10 F	MAR 11 F	JUN 11 F
RBNZ cash rate	2.50	2.75	3.25	3.50	3.75	4.25
NZ 90 day bill	2.90	3.07	3.67	3.75	4.17	4.67
US Fed funds note	0.25	0.25	0.25	0.75	1.25	1.75
US 2 year note	0.73	1.10	1.40	1.80	2.20	2.70
US 10 year note	3.25	4.60	4.70	4.80	4.80	4.80
Japan call rate	0.10	0.10	0.10	0.10	0.10	0.10
ECB refinance rate	1.00	1.00	1.00	1.00	1.50	1.75
UK repo rate	0.50	0.50	0.50	0.50	1.00	1.25

For additional information on interest rates please refer to ANZ's *Interest Rate Strategy Weekly*.

ANZ Forecast – 16th July, 10

AUSTRALIAN INTEREST RATES	CURRENT	SEP 10 F	DEC 10 F	MAR 11 F	JUN 11 F	SEP 11 F
RBA cash rate	4.50	4.50	5.00	5.25	5.50	5.75
90 day bill	4.82	4.85	5.30	5.60	6.00	6.0
3 year bond	4.54	4.90	5.10	5.50	5.70	6.00
10 year bond	5.12	5.40	5.50	5.70	5.80	6.00
3s10s yield curve	0.58	0.50	0.40	0.20	0.10	0.00
3 year swap	5.04	5.30	5.50	5.90	6.10	6.40
10 year swap	5.61	5.95	6.05	6.25	6.35	6.55
INTERNATIONAL INTEREST RATES	CURRENT	SEP 10 F	DEC 10 F	MAR 11 F	JUN 11 F	SEP 11 F
RBNZ cash rate	2.75	3.25	3.50	3.75	4.25	4.8
NZ 90 day bill	3.23	3.67	3.75	4.17	4.67	5.17
US Fed funds note	0.25	0.25	0.25	0.25	0.25	0.5
US 2 year note	0.59	0.80	1.00	1.20	1.50	2.00
US 10 year note	2.98	3.20	3.20	3.30	3.30	3.60
Japan call rate	0.10	0.10	0.10	0.10	0.10	0.10
ECB refinance rate	1.00	1.00	1.00	1.00	1.00	1.00
UK repo rate	0.50	0.50	0.50	0.50	0.50	0.75

For additional information on interest rates please refer to ANZ's *Interest Rate Strategy Weekly*.

ANZ Forecast – 17th 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
INTERNATIONAL INTEREST RATES	CURRENT	DEC.10	MAR.11	JUN.11	SEP.11	DEC.11
RBNZ cash rate	3.00	3.00	3.25	4.00	4.50	5.00
NZ 90 day bill	3.18	3.25	3.67	4.42	4.92	5.4
US Fed funds note	0.25	0.25	0.25	0.25	0.50	0.75
US 2 year note	0.48	1.00	1.20	1.50	2.00	2.30
US 10 year note	2.77	3.20	3.30	3.30	3.60	3.60
Japan call rate	0.10	0.10	0.10	0.10	0.10	0.10
ECB refinance rate	1.00	1.00	1.00	1.00	1.00	1.00
UK repo rate	0.50	0.50	0.50	0.50	0.75	1.00

For additional information on interest rates please refer to ANZ's *Interest Rate Strategy Weekly*.

Source: anz.com.au

St George Forecast as at 27th May '10

End Period:	2010						2011	
	Q2	Q3	Q4	Q1	Q2 (f)	Q3 (f)	Q4 (f)	Q1 (f)
RBA Cash Rate, %	3.00	3.00	3.75	4.00	4.50	4.50	4.75	5.00
90 Day BBSW, %	4.15	4.35	4.14	4.32	4.80	4.80	5.00	5.20
3 Year Bond, %	4.75	5.00	4.65	5.08	4.80	5.25	5.50	5.75
3 Year BBSW, %	5.45	5.70	5.42	5.45	5.20	5.60	5.80	6.05
10 Year Bond, %	5.70	6.00	5.56	5.64	5.55	5.80	5.90	6.10

St George Forecast as at 9th June '10

ST GEORGE BANK INTEREST RATE FORECASTS

	Forecasts for the End of Each Quarter					
	Mar-10 <i>(actual)</i>	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11
RBA Cash Rate, %	4.00	4.50	4.50	4.75	5.00	5.25
90 Day BBSW, %	4.32	4.80	4.80	5.00	5.20	5.45
3 Year Bond, %	5.08	4.80	5.25	5.50	5.75	6.00
3 Year BBSW, %	5.45	5.20	5.60	5.80	6.05	6.30
10 Year Bond, %	5.64	5.55	5.80	5.90	6.10	6.30

* note, we expect the RBA to raise rates in 25bp steps.

St George Forecast as at 30 July '10

End Period:	2010				2011			
	Q3	Q4	Q1	Q2	Q3 (f)	Q4 (f)	Q1 (f)	Q2 (f)
RBA Cash Rate, %	3.00	3.00	3.75	4.50	4.50	4.75	5.00	5.25
90 Day BBSW, %	4.15	4.35	4.14	4.87	4.90	5.10	5.20	5.45
3 Year Bond, %	4.75	5.00	4.65	4.99	4.60	5.25	5.75	6.00
3 Year BBSW, %	5.45	5.70	5.42	4.97	5.05	5.70	6.15	6.35
10 Year Bond, %	5.70	6.00	5.56	5.09	5.20	5.75	6.00	6.25

St George Forecast as at Nov '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

Source: stgeorge.com.au

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