



A strategy for life

Shouldn't living happily be one of the things you plan and work for, along with your financial security?

After all, most of us are planning, saving and investing to achieve specific goals like buying a house, or educating a child, or having a financially comfortable retirement because we believe that achieving this goal will make us happy. But is it enough?

If you are already working hard to maximise your income and your savings, how can you maximise the other aspects of your life, such as your general well-being and invest in a little happiness? Here are a few strategies you might try:

- **Don't make work your life.** Look for a work-life balance that includes time for yourself, your family and your friends. The latest survey on happiness suggests that social and psychological factors like being treated with respect or having friends and family are vital for happiness.*
- **Take care of your brain and your body.** A comparison of world life expectancy ranks Australia in the top four longest-living people on earth at 79 years for men and 84 years for women. But what is the point of living longer if you don't have the physical strength and mental agility to enjoy it! Scientists have shown that moderate daily exercise not only strengthens the muscles and builds

energy levels, but also stimulates the blood supply to the brain and helps keeps mental deterioration at bay.†

- **Know yourself and understand what you really want out of life.** Should you take a more stressful job if it brings in more money? Dr Caroline West of the University of Sydney suggests that you should only take such a job if you are an ambitious and competitive person, but if you are a person who enjoys living in the moment, you should consider declining it.‡
- **Spend money on experiences, not objects.** Dr West also advises that enjoyable experiences (holidays, learning a new skill or hobby, or enrolling in a new social group or club), deliver longer-lasting happiness than objects like a new car or plasma TV, where the thrill soon wears off.

A successful investment strategy needs clear goals and well-thought-out strategies to achieve them. Isn't happiness worth this kind of input too?

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* University of Illinois, 2010, reported in the Sydney Morning Herald, July 10, 2010. www.smh.com.au/lifestyle/wellbeing/money-not-the-key-to-happiness-20100709-1041y.html

† Shephard, R. J. (1998). Aging and Exercise. In: Encyclopedia of Sports Medicine and Science.

‡ Sydney Morning Herald, July 10, 2010. Dr West's new book "On Happiness" will be published in 2011.

The Aussie dollar – the world’s economic barometer

The Australian dollar currently ranks fifth among the most traded currencies in the world’s foreign exchange markets, behind the US dollar, the euro, the yen and the pound sterling, yet it represents less than 7 per cent of the world’s forex (currency exchange) trades compared to the US dollar’s 86 per cent.*

So why does the Aussie dollar punch well above its weight? There are at least two good reasons for this:

- 1 The Australian dollar has floated completely free since 1986 and there are no government controls on it (as there are on the Chinese Yuan, for example), so its price is set by the major foreign exchange markets across the world. The Australian dollar is a popular choice for international forex traders and managers seeking to hedge the instability of other currencies precisely because there is so little government intervention in the currency, and because there is a general view that Australia has a stable economy and government.
- 2 The Australian dollar offers diversification benefits in a portfolio containing the major world currencies because changes in exchange rates of the Australian dollar are often directly opposite to those affecting many other currencies. This is because Australia’s balance of trade depends mainly on commodity exports, meaning that the Australian dollar’s value goes up during global booms when Australian commodity exports rise, and falls when mineral prices and other exports drop. Most of the world’s currencies react the opposite way – they are more popular in a downturn when investors shift from shares into cash.

However, these are just the underlying factors that make the Australian dollar a popular choice for foreign currency traders. There are many other day-to-day developments that may cause fluctuations in the value of the Australian dollar and of the many other currencies that are traded against it.

One factor that currently supports the value of the Australian dollar is our official interest rate of 4.5 per cent – much more attractive than the US rate of 0.25 per cent or Japan’s 0.1 per cent. And relatively minor



announcements can also have an impact. For example, the Australian dollar rose against the US dollar on July 8 this year when improved Australian employment figures for June were announced.

Changes floated

One event occurred in June that had the potential to change Australia’s ranking in the forex league table: the decision by the Chinese Government to allow its currency, the yuan, to fluctuate in a wider band.

This announcement, heralded as a precursor to a ‘floating’ of the yuan, turned out to be something of a fizzer; the Chinese Government still retained its grip on the yuan by confining its trading band to between 0.3 per cent and 0.5 per cent against the US dollar. A freer yuan can help China’s western trading partners, especially in Europe, achieve an exchange rate that will increase their exports to China.

If this gradual trend towards a full float of the yuan continues, it may even result in the US being knocked off its perch at the top of the forex ladder one day, since a significant slice of its dominant 86 per cent share of the currency market is built on the huge purchases of US dollars that the Chinese Government makes to maintain its rigid control of the yuan.

Most analysts seem to think that if the yuan was allowed to trade in a wider band, it would assist Australia’s exports and Australian companies competing against foreign imports. While the Chinese Government’s latest moves may be limited, they are in the right direction to assist the Australian economy.

* www.forextraders.com/forex-analysis/forex-fundamental-analysis/currency-groups.html

Taking care of business



There are almost two million small businesses in Australia, and while 61 per cent have sole proprietors, the rest employ almost 4.8 million people or 48 per cent of private sector employees.¹ Small business is really big business!

But what happens when a key person in a small business dies or can no longer work?

It's estimated there's a 52 per cent chance that if there are two male business partners both aged 35 then one will die or become permanently disabled before age 65.

If there are four partners this risk rises to 77 per cent, and to 89 per cent if the business has six partners.²

That's why all small businesses need insurance which allows the business to keep operating should the owner or a key employee become incapacitated. The smaller the business, the greater the impact can be.

Keeping the wheels turning

The main insurances protecting business owners are buy/sell and key person insurance. While each type assists the business to continue operating, they are separate options that complement each other. A business needs to maintain an effective continuity strategy.

Key person covers the company for loss of revenue or capital should a key player die or

become incapacitated. While that person may not be a shareholder in the business, their knowledge and expertise is considered vital. This insurance provides the business with a lump sum to help keep the business afloat until a replacement is found.

Buy/sell insurance is not about cash flow but business succession, helping the remaining partners or shareholders fund a buyout if a partner dies or becomes incapacitated.

Without buy/sell insurance, surviving partners may be thrust into business with the spouse of their original business partner, regardless of their availability, skills or interest. The results can be devastating: surviving partners running the business single-handedly but having to share the profits, or locked in dispute with the new partner over key decisions. A buy/sell agreement lets the surviving partner buy the business, and sets an agreed sum in place so that the business is not sold for an unreasonable amount.

All businesses need an exit plan from day one, so why not talk to us about how your business can plan for and survive the unexpected.

¹ <http://www.innovation.gov.au/Section/AboutDIISR/FactSheets/Pages/SmallBusinessFactSheet.aspx>

² AXA Australia Family Business Research Unit, Monash University

News bites

People prefer advisers in the end

Who do you prefer to discuss your retirement plans with? Your spouse? Your friends? Your adviser?

According to new research, the propensity of Australians to consult financial advisers increases in line with age and level of family responsibility.

The findings are part of the 2010 Retirement Scope survey, which canvassed the thoughts of Australians on a number of topics related to retirement and the preparations and perceptions that surround it.

The study found that workers with the added responsibility of children or grandchildren were more likely to use an independent financial adviser (49 per cent) than those without (33 per cent).

And while most workers said they reviewed their retirement plans with their spouse or partner first and adviser second, by the time they reached retirement their preference changed.

By retirement 51 per cent of respondents said they reviewed their retirement plans with an independent financial adviser, with that number rising to 67 per cent for middle income earners.

First home saver account

Getting onto the property ladder is increasingly difficult for younger Australians, so it's important to take advantage of any help on offer.

A first home saver account is a great way to start saving for a home deposit, with the benefit of concessional tax treatment and special government contributions.

First home saver account interest is taxed at a concessional rate of 15 per cent, instead of the usual marginal tax rate. The government contributes 17 per cent on the first \$5,500 deposited each year over four years, which means account holders can qualify for up to \$3,740 in government contributions.

To qualify for the benefits, account holders must make a minimum personal after-tax contribution of \$1,000 a year over four financial years with total account balances limited to \$80,000.

Withdrawals can only be made to purchase or build a first home, or to transfer into super if a home is not purchased.

Avoiding the Christmas credit max-out

With Christmas coming up, the temptation to splurge is greater than at any other time of the year. So how can you keep credit card debt under control during the festive season?

One of the best ways is to set and stick to an affordable budget, in conjunction with some specific cost-cutting measures, such as a Kris Kringle-style Christmas.

You could also consider alternative gift giving. A registered charity like karma currency allows you to purchase tax deductible gift vouchers, which the recipient can use to make a donation to their favourite charities.

When it comes to food and beverages, you can help reduce the cost by planning ahead and buying general-use items in bulk, and asking family and friends to bring along a 'plate' or a bottle of wine.

Remember you don't have to use debt to have a good time at Christmas.

Bringing up baby

New parents may be eligible for government financial assistance

Bringing home a new baby is one of the most wonderful experiences you will ever have. But it can be a time of financial constraint as you adjust to living on a reduced income. And then there are the clothes, prams and toys – not to mention a seemingly never-ending supply of nappies.

Fortunately, you may be entitled to financial assistance to help cover all those extra expenses.

The Australian Government has two programs to help new parents: the Baby Bonus (BB) and a new Paid Parental Leave (PPL) scheme, which is coming in at the start of 2011. Both are paid as fortnightly instalments but eligibility, rates, taxation and duration differ.



Benefit	How much?	Frequency	How long?	When?	Does tax apply?	Total benefit	Eligibility
Baby bonus	\$407.23	Fortnightly	26 weeks – 13 payments	Currently available	No	\$5,294	Income test
Paid parental leave	\$1,139.80	Fortnightly	18 weeks – 9 payments	From 1 January 2011	Yes. PAYG tax applied.	\$10,258.20	Work test and income test

Are you eligible for either scheme? And if so, which one is right for you?

Baby Bonus – am I eligible?

The BB is subject to an income test. To be eligible, you must:

- be the parent of a dependant child, or
- be the carer other than a parent of a newborn child, within 26 weeks of the child's birth and be likely to continue to have the care of the child for no less than 26 weeks, or
- in the case of adoption the child must have come into their care before turning 16, and
- register the birth (this requirement does not apply if the child is stillborn, adopted or born outside Australia)
- lodge a claim within 52 weeks of the birth or adoption
- meet Australian residency requirements
- have care of the child for at least 35 per cent of the time or more
- have a family adjusted taxable income (ATI) in the six months following the birth of less than \$75,000, including:
 - taxable income
 - fringe benefits
 - superannuation contributions
 - tax-free pensions and benefits
 - net investment losses
 - less any child support expenditure.

Paid Parental Leave – am I eligible?

PPL will usually be paid by your employer at the national minimum wage. You can lodge a claim with the Family Assistance Office up to three months prior to the expected birth.

The PPL benefit must be taken in the first year after the birth or adoption and in one continuous period.

PPL will be subject to a work and income test. To be eligible, you must:

- be the mother of a newborn child or initial primary carer of an adopted child less than 16 years of age
- have an individual ATI of no more than \$150,000 in the financial year prior to the date of birth or adoption, or the date of claim, whichever is the earlier
- live in Australia and meet Australian residency requirements
- have worked continuously for at least 10 of the 13 months prior to the birth or adoption
- have worked at least 330 hours in that 10-month period.

Continuous work includes self-employment, part-time or casual work for several employers. It can include unpaid leave of up to eight weeks. If you do not satisfy the PPL work test then you may still be eligible for the BB.

How does PPL affect my other benefits?

As PPL is a taxable payment it can affect

other benefits such as the Family Tax Benefit, child support and tax offsets.

You can receive paid employer leave (parental, annual, long service), including a super contribution, in addition to the government-funded PPL, which does not include super.

Which is better for me?

If you're eligible for both benefits, you can choose to receive the more tax-effective payment. Both benefits can be split between two parents if there is a change in primary carer during the payment period.

The Government estimates that 85 per cent of families will be better off with PPL, receiving on average \$2,000 extra after tax than if they chose the BB. This is after tax has been paid and all interactions with other family assistance have been taken into account.[‡] You can compare the two benefits using an online estimator.[§]

Expecting twins?

Both PPL and BB cannot be received for the same child. In the case of multiple births (eg twins or triplets), you can receive PPL for the first child and the BB for each subsequent child.

Having a baby? Congratulations. For more information on your entitlements please contact our office.

* www.familyassist.gov.au/publications/paid-parental-leave—information-for-parents/c.-what-do-i-do-if-i-am-eligible/

† www.centrelink.gov.au/internet/internet.nsf/individuals/ppl_working_parents_estimator.htm

‡ www.familyassist.gov.au/publications/paid-parental-leave—information-for-parents/c.-what-do-i-do-if-i-am-eligible/

§ www.centrelink.gov.au/internet/internet.nsf/individuals/ppl_working_parents_estimator.htm