



January 2009 Edition

## TALKING POINT!

In this edition of **TALKING POINT!** we discuss:

- Investment Markets - what has happened to investment markets; and,
- Super Housekeeping.

### INVESTMENT MARKETS

#### *The Bad...how bad has this downturn been?*

The current bear market in sharemarkets (a fall of 50% approx. to date) is the 2<sup>nd</sup> worst for Australia since 1900, and for the US it is the 3<sup>rd</sup> worst. The slump in diversified portfolio investment returns has also been more severe than in previous downturns because of the associated bearish conditions in property and credit markets.

The consequence of the global credit crisis is a contraction in bank lending, and falling business and consumer confidence - leading to a very sharp slump in economic growth, with many countries already in recession. The global trend of rising unemployment and falling corporate earnings will undoubtedly continue through much of 2009.

#### *The Good...unprecedented monetary and fiscal stimulation!*

Governments and central banks around the world have now recognised the seriousness of the global economic outlook, and policy responses have been unprecedented in magnitude. Actions to inject liquidity into the banking system, lower interest rates, and increase government expenditures, are all aimed at stimulating both consumer and business activity and spending.

Unfortunately, these actions will not provide a quick fix and it will take time, and probably further stimulations, before there is a gradual rebuilding of confidence, and a return to sustainable economic growth. Hopefully by around mid-2009 we will start to see the initial signs of global economies responding to the massive stimulatory actions.

#### *When will it end??.....the beginning of the end of the Bear Market??*

Whether we are close to a bottom in investment markets can't be predicted, particularly as fear is now as much a driver as rational analysis. Extreme volatility is likely to continue for some months as economic indicators continue to be negative. However, sharemarkets are forward looking, and often sharp rebounds begin well before the recovery in the real economy provided positive indicators start to emerge and there is confidence that better conditions are ahead. The following table showing the 8 Australian bear markets since 1980, illustrates the sharpness of the rebounds.

Sharemarket Fall	% decline top to bottom	% return over 12 months from bottom
Feb 80 to Mar 80	- 20%	+39%
Nov 80 - Jul 82	- 42%	+39%
Sep 87 - Nov 87	- 50%	+35%
Aug 89 - Jan 91	- 32%	+39%
Feb 94 - Feb 95	- 23%	+25%
Sep 97 - Oct 97	- 21%	+18%
Mar 02 - Mar 03	- 22%	+27%
Nov 07 - ?	- 50%	?



**Conclusion** – if history is any guide then people with a long term focus need to be invested when markets do begin to turn upwards i.e. avoid crystallising unrealised losses, minimise portfolio drawdowns and be ready to participate in the gradual rebuilding of portfolio values over time.

***Don't forget the 5 fundamentals of investing:***

1. Markets move in cycles not straight lines;
2. Diversification reduces risk;
3. “Time in” the market and not “timing”;
4. Choose a long term investment strategy to meet your objectives and use the risk profiling tools available on the master trusts website; and
5. Don't panic...stick with your strategy and remember that successful investors are smart not emotional.

**SUPERANNUATION HOUSEKEEPING**

- ✓ Make sure that all of your superannuation funds have your Tax File Number;
- ✓ Ensure that you are not going to breach either the Concessional or Non-Concessional contribution limit for the financial year;
- ✓ Make sure that your Nominated Beneficiary is up to date and is a valid nomination. If your fund offers Binding Death Benefit nominations, have you considered whether this is best for you;
- ✓ Have you checked the ATO website for any “lost super”? The Government currently has around \$8 billion of lost super, is some of this your super? Check via the ATO website on [ato.gov.au](http://ato.gov.au) or call the ATO on 13 10 20 (you will need your name, date of birth and tax file number to complete a search);
- ✓ Check your investment choice and ensure that this is still the right investment option for you; and,
- ✓ Do you have the right level of personal insurances i.e. Death, Total & Permanent Disability, Income protection/Salary Continuance - should you increase or decrease the level of cover provided through your superannuation fund?

**FOR FURTHER INFORMATION**

We hope that you find **TALKING POINT!** informative and welcome your feedback. Please feel free to e-mail any comments or questions to us on [info@northbridgeadmin.com.au](mailto:info@northbridgeadmin.com.au). As with many superannuation matters we believe members need to fully understand the implications of any actions they are considering. We recommend that you take personal financial advice before taking any action on this or many other superannuation matters.

If you are interested in finding out more about the issues raised in this newsletter, financial planning services can be provided by Northbridge Financial Solutions. Northbridge Financial Solutions (NFS), authorised under the licence of Community & Corporate Financial Services Pty Ltd (AFS Licence No 225085, ABN 44079121136), is a specialist provider of financial advisory services to corporate superannuation funds and their members. NFS is not aligned with any financial institution. Contact NFS on (02) 9929 2700, e-mail us at [info@northbridgeadmin.com.au](mailto:info@northbridgeadmin.com.au) or visit our website [www.northbridgeadmin.com.au](http://www.northbridgeadmin.com.au).

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