



Welcome

This edition looks at the positive signs beginning to show in the Australian economy, discussion on Australia avoiding a recession and consumer sentiment on the increase. We also look at the trends emerging in the property market.

Estate planning is a crucial component of your financial plan. In this issue we explain why it is so important and why everyone needs one.

MARK LEWIS . Managing Director . Bernie Lewis Home Loans

BERNIE LEWIS HOME LOANS NEWSLETTER

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LATEST NEWS...

Market Confidence Restores

The risk that the federal government's massive spending program could over stimulate demand and cause the economy to overheat appear remote despite evidence that it has helped push house prices and cost of goods higher in the short term.

ABS figures indicate the government's First Home Owner Boost contributed to a 0.8 per cent rise in house purchase costs in the June quarter, while direct \$900 payments to consumers coincided with a 2.1 per cent rise in the cost of clothes and a 2.2 per cent jump in prices for household goods.

But economists say that with no more handouts to households in sight, incentives for first home buyers unwinding and unemployment rising, the recent growth in consumer spending is likely to slow. Inflation pressures are likely to lower as well as interest rates left on hold.

This was observed when the RBA decided to keep Australia's cash rate at a near 50 year low of just 3% in recent weeks. In his statement the Reserve Bank Governor pointed to the fact that economic conditions have been stronger than anticipated in Australia for a few months and that the risk of a severe economic contraction had now abated.

Although the stimulus measures have so far proved to be much more effective than either the government or the RBA anticipated, there is considerable uncertainty about how the economy will perform as support for household spending fades.

"We're already seeing a reduction in first home buyers ahead of the First Home Buyer Boost reducing from the end of this month," Mark Lewis said.

RP Data's Market Activity Index has continued to climb, indicating the market is still heating up, however first home buyers have fallen from 29 percent of the market to 27 percent. Buyers seeking to upgrade or invest are now growing in numbers and this trend is expected to continue leading up to the wind back of the First Home Buyer Boost which is halved on the first of October and removed at the start of the New Year.

"With fewer properties being built than required to cater to demand, competition for available stock increases and as a result, upwards price pressure is created," said Mark Lewis.

Housing finance data recently released showed that finance commitments for both owner occupied and investment housing has again increased during June 2009. During, 2009, seasonally adjusted figures show that owner occupier finance commitments are up 23.5% and investment finance commitments have risen to 10.9% and now match levels last witnessed during July 2008.

SUMMARY OF CONTENT

In this edition you will find three main sections and two sub-sections:

MAIN SECTIONS

- Latest news ...
- Managing your wealth...
- Finance options worth considering...

SUB-SECTIONS

- Housing Market Update
- Company Activity
- Current rates

Everyone should have an estate plan

You've worked hard to build your assets – your investments, home, personal property – and to provide a level of financial security for your loved ones. Doesn't it make sense to work just as hard to protect them in the event something should happen to you?

That's the primary goal of estate planning – to protect, preserve and manage your estate if you die or become disabled. Some people may see no need for estate planning until they reach a certain age, or they might believe that it's only for the wealthy. But in truth, it's wise for everyone to begin the estate planning process as early as possible.

Why is estate planning so important? Because it allows you to accomplish a number of crucial objectives:

- Help ensure that your money and other assets go to the people you choose. Without a plan, state laws will determine your beneficiaries.
- Specify who will care for your minor children if you become unable to
- Defuse potential conflicts over the distribution of your assets
- Minimize estate taxes and other transfer taxes
- Avoid the costs, publicity and delays of probate, the legal process used to value your estate, settle any debts, pay taxes and transfer assets to your heirs.
- Help to ensure that you and your affairs are taken care of in the manner you wish if you should you become incapacitated.

So why doesn't everyone have an estate plan? Aside from a natural reluctance to face our own mortality, some people are put off by the belief that estate planning will be complicated, time consuming and costly. In fact, setting up an estate plan doesn't have to be a complex process.

Estate planning can begin with something as simple as reviewing the beneficiaries of your insurance policies and retirement accounts and keeping them up to date. It may involve adding one or more heirs as co-owners of your home, bank and brokerage accounts or other assets. To make sure all your wishes are carried out, you'll need to draft a will and perhaps establish one or more trusts, but even these activities can be handled in a few brief meetings with an estate attorney.

Even those with modest estates should consider taking care of the basics:

- Make sure loved ones know where to find important documents and include an inventory list of accounts, assets and insurance policies etc.
- Draft a will and final letter of instructions.
- Establish durable powers of attorney and health care, appointing someone you trust to handle your affairs in case you become incapacitated.

Most people can address their estate planning goals with a simple, four step process outlined below:

1. **Take inventory of your assets and liabilities.** List the value of your home and other real estate, cars, jewellery, artwork and other physical assets. Gather recent statements from each of your bank, investment and brokerage accounts. Make a list of all insurance policies, their cash value and death benefit. Finally, list all liabilities, including mortgages, lines of credit and other debt.
2. **Define your estate planning objectives.** To whom do you want your assets distributed, and in what proportions? If these heirs aren't living at the time of your death, whom do you wish to name as successor beneficiaries? If you have minor children, whom do you want to care for them? Whom do you wish to manage your affairs if you become disabled and distribute your assets upon your death? Who will make health care decisions on your behalf if you become incapacitated? Answering these questions before you meet with an estate planner can save you both time and money.
3. **Meet with an estate planning attorney.** Laws regulating estate settlement vary, so it's strongly recommended that you prepare an estate plan with the assistance of an experienced attorney. A qualified attorney will review your objectives, explain the tools: wills, trusts, powers of attorney, etc, you can use to help you accomplish them and help you think through matters you may not have addressed.
4. **Have your attorney draft the necessary documents.** Based on your objectives, the attorney will draw up the appropriate documents for your signature. In most cases, these documents are fairly standard in format, which can substantially reduce the cost of developing your plan. If you set up a trust, you'll want to fund it promptly. If you fail to do so, the agreement won't take effect, and your assets may not pass to your beneficiaries as you'd intended.

The fate of your assets and loved ones may be decided by attorneys, government bureaucrats and tax agencies if you don't have an estate plan. Taxes and attorney's fees can eat away at your estate, and distribution of your assets could be delayed at a time when your heirs need them most. If you haven't arranged an estate plan do so now before the festive season arrives and you're too busy with other affairs.

We have partnered with Cusoff Cudmore Knox (CCK), a leading Adelaide law firm focused on providing services of the highest quality. Similar to the wealth process, CCK will take the time to understand your personal circumstances before providing advice on your estate planning needs.

As a result of this partnership, Bernie Lewis Wealth Management clients will receive a 20% discount in their fee from CCK. For further details please contact your financial adviser.

HOUSING MARKET UPDATE

The property market is a bright spark amidst the gloom.

Last year, Professor Steven Keen predicted Australian house prices would dip 40 per cent, peak to trough – a forecast more bearish than any other prominent economist could muster.

His dire predictions sent a chill down the spine of home owners nationwide. Lucky for us, so far he is being proven wrong.

Although there is risk there could be further pain in the Australian housing market, optimism seems to be accompanying the green shoots which are apparently sprouting.

The RP Data / Rismark national hedonic index shows median dwelling values have gained 2.7 per cent in the 12 months to the end of June. Houses have gained 2.2 per cent and apartments 4.2 per cent.

It was inevitable that the pressures of the global downturn would slow the property market; however it has remained relatively stable especially when compared to the double-digit falls experienced by other international economies.

"There are many encouraging signs, importantly, the accessibility to home ownership has improved considerably for many Australians, with the increase of the first home owners grants" said Mark Lewis.

"Twenty nine percent of all owner occupier finance commitments were taken on by first home buyers; up from 17% a year ago. The number of first home owner grants issued in June and July were at record levels," Mr Lewis said.

This years performance is a really positive sign for the property market and shows that investors are starting to regain confidence while the main driving factor for first home buyers are low interest rates and the availability of the First Home Owners Boost.

The emerging trend in the property market

During the difficult times like we are currently experiencing, people are scared of making big financial decisions. They don't buy new cars or buy, sell or upgrade their homes. They also hold back from investing in property and this translates to fewer people buying property, which usually leads to a fall in prices. In other parts of the world this has caused a significant drop in values, with prices falling between 10 and 30 per cent in the USA and UK.

Yet this has not occurred in Australia. According to Mark Lewis, "generally property values have held up well due to the severe shortage of properties and more recently due to lower interest rates and increased demand from first home buyers."

The next 6 months will see more pain and more job losses. In some areas things are likely to get worse before they get better. If the share and property markets grow too fast, we'll probably see them correct themselves with a slight down turn.

However, the fundamentals for our property markets are sound, so there is a window of opportunity open now in the property markets when many people are still nervous and working out what is going on.

Yet to be successful with your investments you can't just buy any property. "You need to have a long term focus and buy well located properties with an element of scarcity, in areas that have outperformed the long term averages and properties to which you can add value," Mark Lewis said.

With all the changes to the market conditions in recent times it has emerged that lower end, entry level housing is the new trend in terms of property demand and capital growth.

A shift favouring apartments in the first home buyer market can be seen with just 15% of first home buyers buying an apartment 10 years ago compared with 85% who chose to purchase a house. Now though, 30% have gone for apartment living.

"One reason is affordability, but it's also a lifestyle choice for people," said Mark Lewis. "Particularly Generation Y who are living a busier lifestyle; they don't want to spend their weekend mowing lawns and tending gardens."

With the growing market share, units have also shown a stronger capital growth trend than houses in nearly every capital city of the country.

Capital	Unit 12 month growth (%)	House 12 month growth (%)
Canberra	1.10	-0.88
Adelaide	1.89	0.95
Brisbane	2.49	-0.62
Darwin	11.60	11.68
Hobart	3.93	1.82
Melbourne	0.29	0.34
Perth	-8.31	-6.82
Sydney	1.00	-3.09

Source: Residex, 2009

In Sydney, Brisbane and Canberra, units showed positive 12 month growth in median values, compared to negative growth for house median values. Adelaide experienced growth in both dwelling types with almost 1 percent more growth in its unit market.

However, even though the research suggests that apartments are the emerging trend in the market, that's not to say all apartments are better buys, or that all Australians are moving away from houses. But the numbers paint a powerful picture for investors to consider.

OFFICE LOCATIONS

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Eastern Office

140 Payneham Road
St Peters SA 5069
Tel (08) 8132 8600
Fax (08) 8132 8699

North Eastern Office

501 North East Road
Hillcrest SA 5086
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Fax (08) 8369 9199

Southern Office

30 Beach Road
Christies Beach SA 5165
Tel (08) 8186 8186
Fax (08) 8186 8199

COMPANY ACTIVITY

Fun Run for Charity

On Sunday 20th September 19 of our staff participated in the City to Bay fun run. While half chose to run or walk 12 kilometers, starting at The Festival Theatre on King William Street in the city, the other half started their 6 kilometer run or walk from Kurraltia Park Shopping Centre on Anzac Highway.

This year our Charity Committee chose to support the Queen Elizabeth Hospital's Research Foundation. Our team raised \$1380 for this foundation with donations from family and friends.

The weather provided superb conditions for the participants and made for an enjoyable morning.

"It is wonderful to be involved in this event and support a great cause whilst keeping fit," said Vanessa Pearce, Marketing Manager of Bernie Lewis Home Loans and Wealth Management who ran 6 kilometers.

"The last 1 kilometer was a bit of a struggle but once I turned the corner on to Jetty Road [at Glenelg] and heard the cheering of the spectators on the footpath I regained my momentum and pushed on through to the finish line," said Vanessa.

Whilst this year was a great success, next year we aim to get more staff involved and raise more for charity.

CURRENT RATES

	Normal Rate (%pa)	Comparison Rate (%pa)
Variable	5.07	5.12
6 Month Fixed	6.25	8.12
1 Year Discount Variable	4.65	5.78
1 Year Fixed	4.26	6.56
2 Year Fixed	5.79	5.94
3 Year Discount Variable	4.94	5.67
3 Year Fixed	6.49	6.13
4 Year Fixed	6.99	6.37
5 Year Fixed	7.19	6.54

*Comparison rates are based on a secured loan of \$150,000 over a 25 year term & only apply to the example or examples given. Different amounts & terms will result in different comparison rates. Costs such as redraw fees or early repayment fees, & cost savings such as fee waivers, are not included in the comparison rate but may influence the cost of the loan. Information is correct as at 14/09/2009. Interest rates are subject to change without notice. Lenders' terms, conditions, fees & charges apply.

Source: MLC Garvan