

Market Watch - Special Edition - Greece

The Greek crisis has probably been the biggest economic news story of the year; certainly it is the longest running, an ever evolving situation that makes most analyst's words obsolete before the ink has properly dried.

We believe that the following excerpts from an economic note written by Perpetual's Mathew Sherwood reasonably sums up Greece's problems:

After the Greek economy recorded a few flickers of life after a five-year depression, the new government has:

- *become the first advanced economy to default on the IMF*
- *brought its banking sector to its knees*
- *denied households access to their money*
- *seen bond yields spike*
- *told its citizens to reject a generous bailout offer from its creditors and then accepted more draconian austerity package in a second round offer*

And the aftermath of all of this is that the country's debt is likely to rise further and its economy will be back in recession in the September quarter ...

In the end, the Greek government has accepted a worse deal because its refusal three weeks ago made the terrain considerably more difficult with a collapse of its banks and an economic meltdown the only alternative.

... There are only three ways out of a debt crisis – you grow your way out, inflate your way out or you default your way out.

Greece can't do the first two, which only leaves default and in the end, the country was not given the debt restructuring that it needs, which means that the five-year old battered can has been kicked further down the road in true European style.

In the scheme of things Grexit has not been resolved, it has only been delayed and the key question for investors is whether the inevitable debt write-off will be orchestrated by the ECB or the Greek government because if it's the latter, market volatility is certain to rise.

Stop Press - Excerpt of a release by BBC News on the 16th of July

Eurozone ministers have agreed to give Greece a €7bn (£5bn) bridging loan from an EU-wide fund to keep its finances afloat until a bailout is approved.

The loan is expected to be confirmed on Friday by all EU member states.

In another development, the European Central Bank (ECB) agreed to increase emergency funding to Greece for the first time since it was frozen in June.

The decisions were made after Greek MPs passed tough reforms as part of a Eurozone bailout deal.

The bridging loan means Greece will be able to repay debts to the ECB and IMF on Monday.

Greek banks, which have been closed for nearly three weeks, could also reopen on Monday, Greek media reported, although credit controls will remain in place.

Did you know?

We have accounting and taxation services in both Adelaide and Renmark? We would be happy for you to refer friends and family to have their tax returns completed by us!

Do you know someone who would benefit from PRP Group Services? Why not pass along this newsletter to introduce us!

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Protection For Your Financial Plan

A financial plan is a powerful thing, but it's most potent when supported by a solid insurance strategy. What are the specific purposes of the main types of personal insurance?

What is the point of personal insurance? Put simply, it can help to smooth out some of the unexpected turbulence that life sometimes encounters, just as motor vehicle insurance can help take the financial shock out of events that can occur on the road.

If you have a financial plan, whether it's a short or long term one, then your financial journey along life's road is already mapped out. Serious threats still exist though, particularly in the form of death, illness or injury.

Helping to guard against such threats are three main types of personal insurance – life insurance, total and permanent disability and income protection. But what is the difference between the three? And how can they help to support major life and retirement goals?

Life Insurance: Putting aside the obvious emotional consequences for your family, if you died tomorrow then who would be affected financially, and how? Could the mortgage be paid? How might future school fees be financed? What would happen to the lifestyle of those closest to you?

In the event of the death (and sometimes the diagnosis of a terminal illness) of the insured, a life insurance policy pays a lump sum. The size of this lump sum will depend on the amount agreed with your insurance company.

Such insurance is not necessarily only for the main breadwinner, but for anybody whose death may affect the family's ability to earn an income. The payment of the lump sum helps to soften the blow of the loss of income, meaning survivors have a better chance of continuing in the lifestyle to which they have been accustomed, and of protecting their financial future.

Potential financial benefits:

- pays debts
- lump sum can be invested for future
- pays funeral costs
- covers living expenses for family.

Total & Permanent Disability (TPD): An injury or illness that results in your being permanently disabled is also very likely to damage your income earning capabilities. But debts and medical bills must still be paid and the future financial health of your loved ones must be managed.

TPD pays a lump sum if you are 'totally and permanently disabled' and unable to work. Various TPD products carry differing definitions of 'totally and permanently disabled', so ensure this is clarified by your financial adviser.

As with life insurance, the TPD payout amount is agreed before the policy is put in place, to ensure it will do the job of helping to pay medical bills and protect your loved ones financially.

Potential financial benefits:

- pays debts
- helps to cover medical costs
- covers living expenses for family
- funds lifestyle and property changes resulting from disability.

Income Protection: If illness or injury leaves you unable to work for a short or long period, the result on current finances and future plans can be serious. An income protection policy can be put in place to help soften the blow, usually offering up to 75% of your current income to be paid to you in place of your regular income.

The replacement income is usually paid monthly, taking away some of the typical financial stresses during recovery and helping to protect future financial plans.

Income protection policies can be highly personalised, including lower premiums for longer waiting periods (replacement income does not kick in until six weeks after disablement, for instance), longer or shorter benefit periods, and either a pre-agreed payout value or a value that is assessed at the time of the illness/injury. Premiums for income protection may also be tax deductible.

Source: *Financial Wisdom Ltd*

Property Market Update

Adelaide

- Unemployment in South Australia is significantly higher than the national average, at 7.1 %, but it remains below the state's long term median of 7.6%.
- Growth in the house market over the last 12 months has been a moderate 3.20%, however this is below its 20 year long-term average rate of growth (6.80% per annum).
- Growth in the Adelaide unit market failed to keep pace with inflation over the last 12 months.
- Rental yields in the house and unit markets have increased in the last 12 months, by 4.11% and 1.64% respectively. Yields in both markets are currently above the national average, but they are probably not sufficient enough to drive investment activity.
- Affordability in Adelaide is amongst the best in the nation, for home ownership and rent.
- It currently takes around 30% of the median household's after tax income to make loan repayments on the median house, while renting requires 25% of after tax income.
- The affordability position is further improved in the unit market, where the median household uses around 22% of after tax income to meet home loan repayment.
- Calculations estimate that there is an oversupply of housing stock of about 4,000 dwellings.
- 5 year predictions indicate that house and unit prices will struggle to keep pace with inflation.
- Overall, this is not a market for investment unless you are able to identify an attractively priced renovation property.

Source: *www.onthehouse.com.au*

IMPORTANT INFORMATION

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Chaffey Theatre Movie Night

PRP is proud to be hosting a movie night at the Chaffey Theatre - Renmark on Wednesday 23rd September. The movie - **“Woman in Gold”** starring Helen Mirren and Ryan Reynolds is the remarkable true story of one woman’s journey to reclaim her heritage and seek justice for what happened to her family.

Invites to all Riverland clients will be sent in the next month, however if you live outside the Riverland and would like to attend please contact our office.

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Behind the Scenes at PRP

Welcome to
the team

Tammy Green joined the company in March as an Administration Support Officer after spending 3 years in Sales Administration and HR/OH&S in the real estate industry. Prior to that, Tammy spent 22 years with Westpac, working in various locations within SA/NT.

Originally from Wangaratta in VIC, over the years Tammy has lived in Gawler, Alice Springs and Darwin before settling in Renmark with her husband in 1999.

A self-confessed animal lover, Tammy’s family includes two beautiful Labradors and a cheeky ginger cat.



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