prp keeping you informed

december2014

When the Tail Wags the Dog

In a sometimes neurotic financial world, smaller markets or events can heavily affect the value of bigger ones. So how do you identify value amidst the volatility?

In September this year when Graeme Wheeler, governor of the Reserve Bank of New Zealand, said his currency's power against the US dollar was unjustified and unsustainable, it had the desired effect – the Kiwi dollar dropped 1.7%[1] against the greenback. But his statement also had unforeseen effects.

The comments from the Kiwi banker caused a sell-off of the Australian dollar, bringing it down 0.9% against the US dollar. As often happens in the world's financial markets, the tail was wagging the dog.

That same month, soon after announcing new iPhones and launching a refreshed mobile operating system, Apple released a software update known as iOS 8.0.1. It left many iPhones unable to make calls before a second update fixed the issues a few days later. What was a relatively minor glitch amidst a slew of major and positive announcements was enough to bring the share price down almost 3% in one day.

The financial markets appear to be more highly strung than ever. And their globally connected nature means a sniffle on the other side of the world can give your portfolio the flu, or at least a nasty cold.

So how do you look past these reactions and over-reactions to see the true value of a stock, a currency or some other form of investment?

First, it has to do with knowledge. Speak with your financial adviser and familiarise yourself with the numbers and the patterns of a business and of its competitors, annual report details, market trends and dividend yields etc – and you'll already be ahead of much of the market. Old-fashioned research can still pay handsomely.

Next, it's about having an individualised long-term plan with an agreed regularity of reviews, whether it is quarterly, bi-annually or yearly. Sticking to a review plan means you're less inclined to make rash decisions during irrational market moments and more inclined to see the big picture.

And finally, manage your mindset. Volatility is the new norm so a calm head, a grand plan and an eye on the long-term goal is more important than ever.

1 http://www.ft.com/cms/s/0/604b7a84-44bc-11e4-ab0c- 00144feabdc0.html#axzz3ExQsQp00 2 http://www.cbsnews.com/news/ios-8-update-glitch-apple-stockprice- slips/

Stop the Press

From 1/1/15 banks and credit unions are introducing new rules that will make it harder to break term deposits before the maturity date, please speak to your bank or credit union about this.

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!

image: wallpapersabc.biz

PRP Accounting Services

Director taxation, accounting
Randell McClure

Snr Taxation Manager
Corrado Angeletti

Taxation Manager
Taylor Swinstead

Client managers
Debbie Angeletti
Leah Gaerth
Nicole Nuske
Kathy Polst

Administration
Melanie Sweetman
Di Dix

Contact Us
T: 08 8586 6644
F: 08 8586 4162
172 Fourteenth St
Renmark, 5341
accounting@prpgroup.com.au

Contact us
T: 08 8232 9900
F: 08 8232 4655
Suite 2, 72/78 Carrington Street, Adelaide, 5000
wealthade@prpgroup.com.au

PRP Wealth Management

Renmark

Financial Planners
Steve Jaensch
Garry Pinnington
Leanne Van Der Hoek

Administration
Trish Fredericks
Albina Revill
Tracy Rohrlach
Leanne Van Der Hoek

Contact us
T: 08 8586 4132
F: 08 8586 4162
172 Fourteenth St
Renmark, 5341
wealth@prpgroup.com.au

Adelaide

Financial Planners
Lara Reid
Darron Reid

Administration
Tracey Russell
Matthew Siow
Linh Le

Contact us
T: 08 8232 9900
F: 08 8232 4655
Suite 2, 72/78 Carrington Street, Adelaide, 5000
wealthade@prpgroup.com.au

Profit and Retirement Planning Pty Ltd trading as PRP Wealth Management is an Authorised Representative of Financial Wisdom Ltd, ABN 70 006 646 108 AFSL No. 231138

Healthy and Wealthy New Year

As holidays and the new year approach it's easy to be distracted from your financial goals. But this is actually the perfect time to put a few simple plans in place for a positive start to the new year.

New year's resolutions have a bad reputation, and for good reason. So let's agree up front that we won't think of financial preparations for the new year as "resolutions". Instead this is a powerful opportunity to set things in order, re-group and look back to ensure things are on track, and of course to re-balance and plan for the year that is about to begin.

Best practice around reviewing your finances for the new year begins with a calculation of your net worth. Save this somewhere so it's easily accessible next year, and you'll have a simple and effective way to measure your progress against a set goal. Include all of your assets (property, cash etc) and liabilities to calculate a final figure.

Next, pick a couple of items from your financial portfolio, whether they be credit card or mortgage, superannuation accounts or insurance policies etc, and do some research to find out whether you're getting the best possible deal. Interest rates, fees and risk profiles should be checked at least every few years for each of your accounts. Just as compound interest can be enormously effective over time, so too higher fees and costs can result in far less wealth at the end of your investment period.

Spend some time getting to know your investments. How much is in your super? How is it invested? Are you on target to achieve your final goal? What difference could you make by re-balancing certain investments, etc? Ask questions and seek clear and relevant answers as if you're looking after the world's most important managed fund … because you are. Then, depending on your stage of life:

Up to 40 years old

- Consider maximising the effects of compound interest and perhaps even saving a little tax by salary sacrificing a small amount – perhaps $20 to $50 a week – into your super. A little now adds up to a lot later. Be wary not to exceed contribution caps though.
- Check that your investments are allocated correctly to match your risk profile and the fact that you have several decades to ride out any market turbulence.
- Analyse your insurance needs and check you have the correct levels of cover. You possibly have people that rely on you to provide for them. Make sure you, and they, are suitably protected.

From 40 to 60 years old

- It's time to start knocking down that debt, so make that a priority for the next few years and track your success using your net worth document.

- Insurance is vital at this stage of life as you'll likely have dependents and major responsibilities, such as a mortgage. Check you are insured to the right level.
- Consider what you can do at work, or outside of work, in order to improve your earning potential.
- Analyse your superannuation and figure out whether you need to begin maximising contributions, but don't exceed the maximum allowed annually.
- Depending on your comfort with risk and your time left in the market, your portfolio's risk/growth exposure should be constantly fine-tuned.

Pre-retirees and retirees

- How long will your income last? How are your investments performing? This is perhaps the most important period of life to ensure your portfolio and income stream are balanced for your lifestyle.
- Is your estate protected? Organise a will and power of attorney if you haven't already done so.
- Put some money aside to enjoy yourself whether it be for travel, a hobby, a course or simply a night out to dinner every so often. You have earned it.

Market Update

An economic update from the Economic and Market Research team at Colonial First State Global Asset Management.

What have been the major economic events of the past few months?

United States

The Federal Open Market Committee of the US Federal Reserve (the Fed) completed the 'tapering' of its Quantitative Easing (QE3) bond purchase program at its 28–29 October 2014 meeting. The Fed tapered by a final $US15 billion, completing the tapering which started at $US85 billion in December 2013. As a result, the QE3 program has come to an end.

The Fed noted that since the QE3 program started in September 2012, there has been "substantial improvement in the outlook for the labour market" and that there is "sufficient underlying strength in the broader economy to support ongoing progress toward maximum employment in the context of price stability." The Fed also highlighted some improved confidence in the US economic recovery with the economy "expanding at a moderate pace".

The US labour market also continues to improve with 214,000 jobs added in October and the unemployment rate falling to 5.8%, the lowest since July 2008.

United Kingdom and Europe

The European Central Bank left its key interest rates unchanged at 0.05% at its 2 October 2014 meeting and the inflation estimate for October was recorded at 0.4% per year, compared to 0.3% per year in September, which was a five year low.

In the UK, the Bank of England (BoE) left policy unchanged at 0.5% at its 9 October 2014 meeting, as expected. However, it was highlighted that the majority of the Board were concerned over a premature tightening to the Bank Rate given low inflation and wages and possible shocks to the UK economy. As a result, the timing of the first rate hike has been pushed further out by financial markets. It remains a possibility that the BoE could lift the official cash rate in March or April 2015, dependent on the data and ahead of the general election in May.

Asia

In China, GDP growth of 7.3% was recorded for the 12 months to 30 September 2014, which was slightly stronger than expected. Meanwhile in Japan, the Bank of Japan's (BoJ) policy board convened on 31 October 2014 and decided to expand its qualitative and quantitative easing program. The BoJ will now expand its monetary base at an annual rate of Y80 trillion, which is an increase of about Y10–20 trillion on the previous target.

Australia

The Reserve Bank of Australia (RBA) again held the cash rate steady at 2.5% at its 7 October 2014 meeting. The RBA has now left interest rates on hold at 2.5% since August 2013 and most commentators are expecting this figure to remain unchanged until the second-half of 2015.

The headline rate of inflation rose by 0.5% per quarter, taking the annual pace from 3.0% for the 12 months to 30 June 2014 to 2.3% for the 12 months to September 2014. Inflation, therefore, remains well within the RBA's 2% to 3% target range. Also, the unemployment rate rose to 6.2% from 6.1% for October 2014, which is the highest unemployment rate since March 2003.

Australian shares performed well in October, with the S&P/ASX 200 Accumulation Index adding 4.4% during the month. The sharemarket was led higher by financial stocks, while the health care and telecom sectors also performed relatively well. Finally, despite some volatility in October, the Australian dollar rose 0.6% to finish the month at $US0.8798.

IMPORTANT INFORMATION
This document has been prepared by Financial Wisdom Limited ABN 70 006 646 108, AFSL 231138, (Financial Wisdom) a wholly-owned, non-guaranteed subsidiary of Commonwealth Bank of Australia ABN 48 123 123 124. Financial Wisdom advisers are authorised representatives of Financial Wisdom. Information in this document is based on current regulatory requirements and laws, which may be subject to change. While care has been taken in the preparation of this document, no liability is accepted by Financial Wisdom, its related entities, agents and employees for any loss arising from reliance on this document. This document contains general advice. It does not take account of your individual objectives, financial situation or needs. You should consider talking to a financial adviser before making a financial decision. Taxation considerations are general and based on present taxation laws, rulings and their interpretation and may be subject to change. You should seek independent, professional tax advice before making any decision based on this information. Should you wish to 'opt out' of receiving direct marketing material, please contact your financial adviser.

Jamie's Mum's Gorgeous Chocolate Pudding

Ingredients

- ***For the chocolate sauce***
- 100 g butter, plus a small knob
- 50 g light brown sugar
- 100 g good-quality dark chocolate (70% cocoa solids)
- 2 tablespoons milk
- ***For the pudding***
- 100 g butter
- 75 g light brown sugar
- 225 g self-raising flour
- 2 large free-range eggs
- 50 g cocoa
- 8 tablespoons milk
- 1 pinch salt
- zest of or 2 clementines 1 orange
- To serve
- 1 pot ready-made custard

Method

"Trust me when I tell you that this is one mind-blowingly chocolately pudding!" says Jamie. "There's not one healthy thing about it, apart from the fact it will put a big smile on everyone's face and it's proven smiling is good for us! Okay, so that's stretching it, but if you can't have a completely delicious treat at Christmas, when can you?"

To make the sauce, grease a 2-pint pudding basin with a little butter and set aside. Place a large heatproof mixing bowl over a pan of simmering water (make sure it's not too tight a fit or the steam will burn you). Add all of your sauce ingredients and allow to melt, stirring frequently until blended and glossy. Remove from the heat.

Pour about 8 tablespoons of your lovely sauce into the bottom of the greased pudding basin and put the rest to one side for later.

Next, pop all the pudding ingredients into a food processor and blitz until nice and smooth. You can also do this by hand with a wooden spoon if you don't have a food processor. Gently transfer the mixture to the pudding basin, on top of the sauce.

Cover the pudding basin with some greaseproof paper and a layer of foil to hold it in place. Scrunch this around the edges and tie some string around the basin to secure it. At the same time, make a handle from the string so it is easier to handle the pudding basin later on.

When you're ready to cook your pudding, get a saucepan large enough to hold the pudding basin and have its lid on tightly, so try it for size first. Once you've got a good fit, place a heatproof plate on the bottom of the pan - this will stop the bottom of the pudding from burning.

Fill the pan with a couple of inches of boiling water from the kettle and carefully lower your pudding in. The water should come halfway up your pudding, so top it up if you need to.

Bring the water to the boil, put the lid on, then simmer for about 1½ hours, making sure you keep the water topped up when needed so it doesn't boil dry. After this time, carefully remove your pudding from the pan.

Turn the pudding out onto a nice big platter, but keep in mind that the chocolate sauce is going to be hot and runny, so be very careful. Place the pudding in the centre of your table with a jug of warmed custard and a jug containing the remaining warmed chocolate sauce. Top the pudding with a little holly and let everyone tuck in!

Source: jamieoliver.com/recipes

prp

Behind the Scenes at PRP

Congratulations Leah and Luke

Congratulations to our tax client manager Leah Gaerth who tied the knot with Riverland local Luke Ivanovic. The couple headed to Phuket for a leisurely 10 days after their Nov 8 wedding and are now residing in downtown Loveday.

Congratulations Corrado

Congratulations to our senior Tax Manager, Corrado Angeletti, who has successfully completed the Master of Commerce, Professional Accounting degree from the University of New England.

Completed externally over four years, the course is a joint program between the University and the Institute of Public Accountants and will enhance Corrado's ability to provide business advice in a number of areas including those associated with Self Managed Super Funds.

Moreover Corrado will now have the spare time to further his weight lifting and also enhance his olive oil making skills! Well done.

Christmas Wishes

The management and staff of PRP wish you and your family our warmest wishes for a wonderful Christmas and a Prosperous New Year.

PRP Christmas Trading Times

Adelaide Wealth - Closed from 12pm on the 23nd December 2014 and re-open 12th January 2015.

Renmark Wealth - Closed from 12pm on the 24th December 2014 and re-open 12th January 2015.

Renmark Accounting - Closed from 12pm on the 24th December 2014 and re-open 12th January 2015.

This newsletter may contain financial product advice of a general nature only and is not intended to constitute personal advice. It does not take into account your particular investment objectives, financial situation or needs and accordingly, you should consider the appropriateness of this information in light of your own circumstances. We recommend that you obtain professional advice. Where appropriate, you will be provided with a Product Disclosure Statement in relation to the product you are recommended. You should consider this document before making any decision to acquire the product in question.