ALTITUDE
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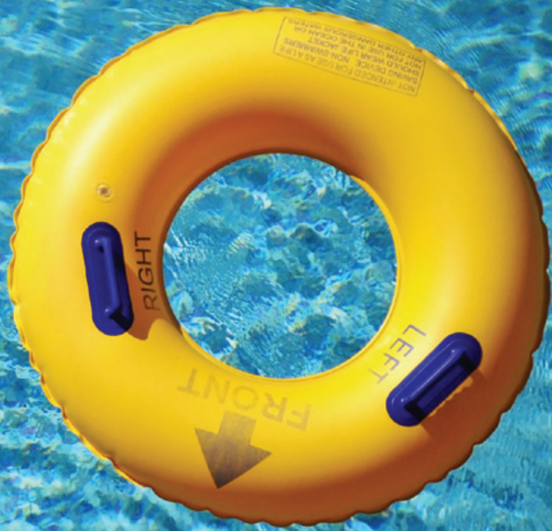

Summer 2013

Economic update

Robust labour force data in the United States put a spring in the step of Australia’s share market and pushed the greenback higher. However, a dip in US business spending intentions took the gloss off the good news, with Wall Street notching up only modest gains as it nudges an all-time high. The positive data continued to fuel speculation the United States Federal Reserve might soon taper its economic stimulus program.

Meanwhile, gold and oil prices took a hit in the wake of a six-month accord struck between six world powers and Iran. The agreement will see Iran roll back parts of its nuclear program in exchange for the loosening of some economic sanctions against the country. Resources companies such as BHP Billiton, Rio Tinto, Fortescue and Newcrest lost ground after the deal was announced.

Locally, the prospect of another interest rate cut propelled the big four banks higher. The Aussie dollar tumbled further to 90.77 US cents, its lowest point since early September, as the US dollar gained ground.

Goldman Sachs forecast signs of recovery in Australia’s non-mining sectors, with the support of fiscal loosening, an upswing in housing investment and stronger corporate earnings. Growth is anticipated to be patchy through 2014, with the investment bank predicting the lower Aussie dollar and improving global outlook would trigger stronger growth for the 2015 financial year.

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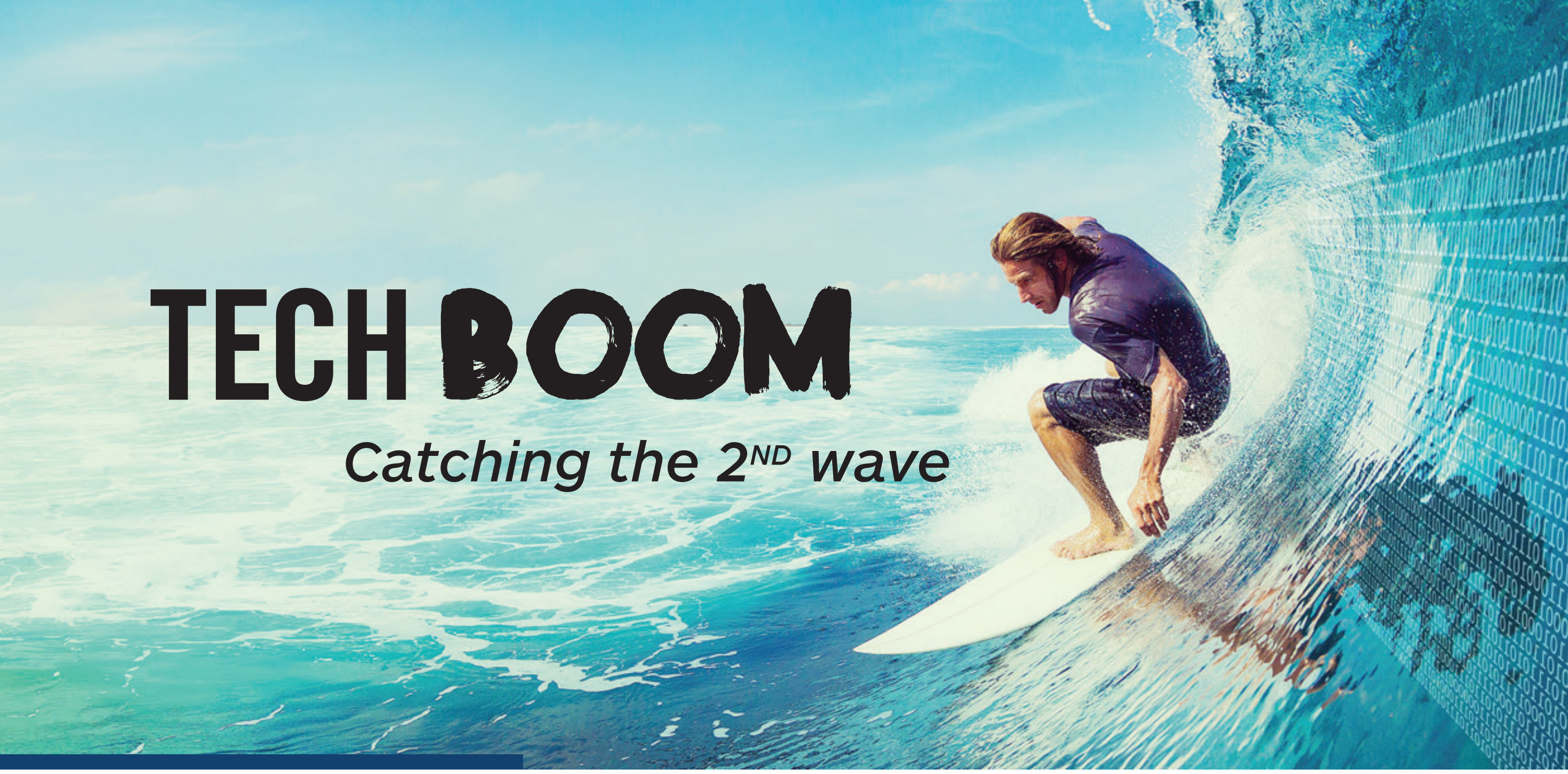

TECH BOOM

Catching the 2ND wave

It was hailed as Australia's Twitter. When outsourcing site Freelancer.com listed on the Australian Securities Exchange on November 15 it more than trebled in price to a market value of almost $700 million.

A week earlier, Twitter made its debut on the New York Stock Exchange with a 73 per cent first day price hike valuing the social media group at US$25 billion. And that's before the company has earned an operating profit.

Clearly, there is a buzz of excitement around technology stocks. The issue for investors is whether this latest tech boom will end in tears, like the so-called 'tech wreck' of 2000 to 2002, or herald the start of a new wave of corporate success stories to rival Apple, Microsoft and Google.

Investment guru Kerr Neilson, chief executive of Platinum Asset Management thinks it is the latter. Speaking at a recent Morningstar conference he said: "We think we're on the verge of a second internet revolution. Most of you have not heard of the great companies involved. It indicates it's still early days. In the last boom, we had the hardware suppliers, this time it's the content suppliers and network groups."

Even so, not all of the current batch of technology hopefuls will survive. During the dot.com boom, prices for internet stocks soared on wildly optimistic assessments of future potential and plentiful venture capital. In reality, many of the companies were start-ups with no history of profits. When the market fell to earth during the tech wreck many dot.coms disappeared completely; only the strongest – such as Amazon, survived.

Weighing risk and return

The challenge for investors is separating tomorrow's global success stories from the chaff. Buying shares in an initial public offering (IPO) is appealing, but there is a danger of getting caught up in the market hype and risking your capital on a single company. As always, the key to successful investing is to spread your money across a diverse range of stocks and industry sectors.

Start-up companies offer potentially high returns but they are also high risk. For every Facebook there is a MySpace, a former market darling that was eclipsed by its more famous rival.

In order to reduce risk while gaining exposure to potentially strong returns, investors are advised to limit exposure to the technology sector to a small portion of their overall investment portfolio and to spread their money across a number of technology companies.

The easiest way to do this is to invest in a managed fund. There are a number of global technology equity funds run by well-known fund managers. Many of the companies they invest in you have probably never heard of. They include Chinese Internet stocks and African mobility companies as well as more familiar names from developed economies.

The recent surge

If proof was needed that technology stocks are running hot, Morningstar reports returns from global technology funds over the 12 months to October 31 ranged from 37.5 per cent to 50.7 per cent. Three-year returns were a more sobering 8.5 per cent to 18.7 per cent, highlighting the volatility the sector is known for.

Opportunities

If you have money in a superannuation fund you may have an investment in technology companies without realising it. Super funds not only make direct investments in shares but often select external fund managers with expertise in specialist areas such as technology and venture capital.

Venture capital funds and private equity funds raise money from wealthy private investors to provide seed capital for emerging companies. While they are out of reach for many investors, they are on the radar of many large, public offer super funds.

If you would like to discuss how your portfolio is positioned to take advantage of the new wave of technology companies entering the investment landscape, don't hesitate to call us.

HOME CARE *VS* RESIDENTIAL

Options for assisted living

If there is ever a time when stress levels and emotions can run high it is facing the myriad decisions around caring for an elderly family member or loved one.

Discussions around where someone – whether it is yourself or a nearest and dearest – is going to live and how it is going to be paid for, are often fraught not least because decisions are commonly made under extreme pressure. A fall or a rapid deterioration in health can trigger the necessity for people to make crucial calls about a loved one's future care within days.

Australia's ageing population means it is inevitable that more people will need some sort of living assistance, either at home or in a residential facility. According to the Productivity Commission the number of people needing aged care services will increase from more than one million today to 3.5 million by 2030.

Home based support

While the preference for most people is to age gracefully in their own home, there are a number of reasons why it may not be an option for the long term.

Fortunately there are numerous private and Government supported services which are available to allow people to stay living in their own home for as long as possible.

The Home and Community Care program is the simplest way for people to get help which allows them to remain at home. Someone who needs services such as domestic help or basic nursing care can seek Government assisted care following a simple assessment by an approved provider. How much a person pays for services will depend on their financial situation, including whether or not they receive any Age Pension.

Where several services are needed for a person to remain in their own home a more comprehensive Home Care Package would be required.

As with any move into residential aged care, the Home Care Package requires an assessment by an Aged Care Assessment Team. Generally these can be arranged through a General Practitioner or within a hospital. They can also be found via the Governments ACAT Finder through its website myagedcare.gov.au.

Aged Care changes

Unfortunately not everyone's health allows them to remain at home. There is a wide range of residential care available for those people who for medical or physical reasons need to be in a supported living environment.

The aged care sector is currently undergoing a number of changes. From 1 July 2014 there will no longer be a difference between high and low care within an aged care facility. Instead of charging an accommodation bond, aged care providers will offer potential residents the choice between paying a fully refundable lump sum or a rental style periodic payment, or a combination of both.

The cost of care

The cost of securing a bed in an aged care facility can depend on a number of factors including its location, the facility type and the level of care they require.

Where an accommodation bond is required, the payment options are generally a lump sum or periodic payments, both of which could be several hundred thousand dollars.

It will depend on an individual's financial situation as to what is the best way to pay, including whether they are in a position to and want to sell their house to make the lump sum payment.

In addition to the emotional attachment some people have to their home there may be someone still living in the home. The sale of a house can also have further financial implications, including impacting one's Age Pension.

An alternative to selling is to rent the house and use the rental income to meet the accommodation or care costs or look at alternative income producing assets such as those within a superannuation fund.

The cost of care inside an aged care facility also depends on an individual's financial circumstances.

Choosing the best form of aged care and working out the most beneficial way of paying for it from a Centrelink and personal financial point of view requires expert knowledge of various systems, including aged care, Centrelink and taxation.

Please don't hesitate to call us and to discuss issues concerning aged care for yourself or your loved ones.

'tis better to give...

The festive season – a time of reflection; a time of giving and receiving; a time of family and friends.

You start with the best intentions to embrace the true spirit of the season but, by about December 23, it's reduced to a manic rush to the shops highlighted by car park rage, last-minute trips to 7-11 for wrapping paper and catering to bizarre meal requests for Aunty Beryl.

True reflection comes about 3.30pm on Christmas Day when the over-indulgence really kicks in.

A time for helping others

It's little wonder that many people are refocusing the 'call to action' that the festive season embodies – a catalyst for change; a time for thinking of others, connecting and re-connecting with friends and family; self-improvement and fulfillment; and, perhaps, a little guilt about the abundance of the season.

While this time of year may stoke the fire of our altruistic conscience, factors that don't involve mistletoe or brandy sauce also increase our likelihood to act on behalf of others. For instance, when an individual is faced with an opportunity for altruism, he or she is more likely to help when acting alone than if he or she were in a group setting.

In 1987 a study for the American Psychological Association found that people are more likely to help when they are in a positive mood than negative one, especially if acting 'good' does not ruin the mood. Other studies have found that if we believe that the person we are helping had no hand in his predicament, we are more likely to help.

Notable benefactors

Given the influence of mood on magnanimity, it's reasonable to assume that some of the world's richest people are feeling pretty good about themselves. For instance, Microsoft founder Bill Gates and his wife Melinda gave away a staggering $1.9 billion in 2012 alone, closely followed by investment guru Warren Buffett ($1.87 billion in 2012). Buffett has donated $25 billion in his lifetime. Closer to home, Australian mining magnate Andrew Forrest and his wife Nicola recently made a gift of $65 million to the University of Western Australia.

That's good for the billionaires, you may say, but how do I help others when I'm struggling to keep the power connected? As stated in the NAB Charitable Giving Index report for August 2013, donors from higher income postcodes tend to donate the most in dollar terms, but do not necessarily donate the most as a share of their incomes.

Altruism comes in many forms

A donation of time to a local library, community group or sporting club is just as valuable as a cheque. A donation of clothes or used household items during a natural disaster is equally beneficial as a few coins in a charity tin.

There are even simple giving solutions for those people who are cash and time poor. ShareGift is a not-for-profit organisation that makes it easy for people to donate shares without paying brokerage and allows participants to still receive a tax deduction.

Or how about Kiva, a site that allows individuals to donate funds for loans to help borrowers in impoverished parts of the world achieve their dreams – everything from a Kenyan grain farmer to a Bolivian nursing student.

So amid the crush at the seafood counter, or the torture of screwing together a toy with instructions that make as much sense as Aunty Beryl after three sherries, take a moment to consider what the festive season means to you. And sitting with friends and family, remember to cherish the passing of the gift as much as the opening of the gift. Season's greetings.