



ASPIRATIONS

enjoy the lifestyle you aspire to

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How to test drive an investment

How did you choose the last car you bought? Was it the colour? The quality of the stereo? The TV ad with your car hurtling down a winding mountain road?



Of course, it was none of these things. Buying a car is what consumer behaviour experts call a 'high involvement' purchase. It's likely that you undertook an extensive process of reading reviews in newspapers

and magazines, consulting the ratings of trusted experts (motoring bodies, the Consumers' Association), speaking to friends, and, the fun part – the test drive.

When Genesys recommends an investment, you can rest assured that we follow a similarly 'high involvement' decision-making process. We take the process very seriously: of the tens of thousands of investments available only a few hundred make it on to our approved list.

Firstly, we consult research from independent specialist research companies. These companies have full-time expert researchers who do nothing else but review investments.

However, we don't stop there. Once an investment makes this 'first cut', our own in-house

experts review it to reduce the list even further. We often interview the investment company for more information, or to get a feel for their professionalism and approach – uncovering information you might not find in a printed report. We also keep an eye on press reports and industry changes.

Ultimately, we are looking for an investment with a clear and consistent process, high quality investment managers, sound underlying investments and a commitment to putting the interests of the investors first.

The few investments that make it through this process are recommended to the Genesys investment committee, which debates the investment and ultimately decides if it makes the final cut.

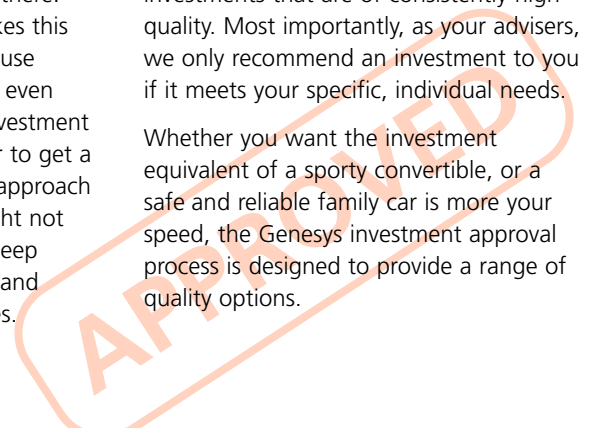
Of course, there is no guarantee that any investment will perform well over every time frame. Investment markets, the economy and the ups and downs of specific industries can all affect investment performance.

However, this rigorous selection process is designed to produce a list of approved investments that are of consistently high quality. Most importantly, as your advisers, we only recommend an investment to you if it meets your specific, individual needs.

Whether you want the investment equivalent of a sporty convertible, or a safe and reliable family car is more your speed, the Genesys investment approval process is designed to provide a range of quality options.

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Looking for a loan?

If you want to buy a house or expand your business, chances are you're in the market for a loan/mortgage. But with a vast number of loans available, with different rates, fees and features, how do you choose the one that's best for you?

Type of loan	Description	Typical features
Standard variable loan	Australia's most popular type of loan – the interest rate varies throughout the term of the loan.	Usually offers the ability to make additional repayments without penalties, and is often quite flexible. However, when interest rates rise, so do your repayments.
Basic variable loan	A lower interest rate than the standard variable loan but with fewer features.	Basic variable loans have a relatively low interest rate, and repayments are generally lower. Some lenders also offer the option to pay for additional features.
Fixed rate loan	You pay an agreed interest rate for a set period of time.	The rate is generally higher than other loans but will not change during the agreed time, meaning that if interest rates rise, your repayments won't. Extra repayments may attract a fee.
Low-doc loan	The lender doesn't require full financials such as tax returns.	Suited to the self-employed, this type of loan typically requires the borrower to complete an income declaration form – but the interest rate is generally higher.
Line of credit	Gives you access to funds up to an approved credit limit, at a home loan interest rate.	You can use the money you need and pay it back when you can, however it can reduce the equity in your residential property.

Loans in action

Steve and Lisa are married and in their early 30s. After the arrival of their first child 18 months ago, Lisa returned to full-time work as a solicitor, earning \$95,000 p.a, while Steve became a stay-at-home dad.

The family is fast outgrowing the two-bedroom apartment and has fallen in love with a three-bedroom place in the eastern suburbs of Melbourne valued at \$500,000. With \$50,000 saved for a deposit, Steve and Lisa need to work out which loan is best for them.

In the next edition, with the assistance of Genesys Strategic Finance, we'll look at Steve and Lisa's situation and some of the factors that might affect which loan would be suitable for their circumstances.

Looking for a loan? Genesys can help you source the right loan for your needs. We act as loan and mortgage brokers on your behalf, doing all the research for you, and applying our experience and knowledge to find the best loan for you.

How much is that burger in the window?

Trivia question: which of the following is **not** a key economic indicator?

- (a) the consumer price index (CPI)
- (b) the S&P/ASX 200 index
- (c) the trade-adjusted activity (TAA) index
- (d) the Big Mac index

Unless you're a regular reader of the international journal *The Economist*, you probably answered '(d) the Big Mac index'. If so, it might surprise you that this little-known index is being used by economists to measure purchasing power in different currencies. (The correct answer is '(c) the trade adjusted activity index': there is no such thing.)

How does it work?

Although it's sold in 119 countries around the world, the Big Mac is remarkably standardised: even the number of sesame seeds on the bun is measured.¹ Because of this, the cost of a Big Mac is a

Retirement villages – are they for you?

Most people reach a stage in their lives when they decide it's time to downsize their home. For some, this may mean selling a four-bedroom home and buying a one-bedroom unit, but for many this decision will trigger an investigation into retirement villages.

What is a retirement village?

A retirement village is simply a community of people who are 55 and over and/or retirees. The age of residents varies, with some people choosing retirement villages as their downsizing option early on (55-60), and others waiting until they hit their 70s.

Types of villages

There are two types of villages – resident funded (the village is owned and run by a company for commercial gain) and donor funded (operated by non-profit organisations and often 'reserved' for the needy).

What services do they offer?

The services vary greatly, depending on the village you choose. For example, in low level care complexes (also called independent living or self-care units) the services will be limited or on a user-pays basis. On the other hand, high care units (also called assisted living or serviced apartments) can cover meals, cleaning, activities, etc. Both types of facilities usually have communal areas where you can meet other residents.

Facilities range from the simple to the elaborate – in-house bowls, gymnasiums, swimming pools, games rooms, libraries, hairdressers, etc.

Financial and legal repercussions

Unfortunately, navigating the retirement village options can be tricky, with many different legal structures involved, different types of departure fees and comprehensive legal documentation. The end result: often you're not comparing apples with apples when choosing between villages.

For example, when living in a retirement village you may have a:

- Long-term lease
- Long-term licence
- Strata title
- Community title
- Company title
- Unit trust
- Manufactured home
- Conventional lease



In addition, each state/territory has different legislation governing retirement villages and residents will also be required to pay a 'departure' fee – which can vary significantly and will affect how much you have left for your ongoing care later on in life, or for your estate.

Is a retirement village for you?

Ultimately it depends on your desired lifestyle. If you want to travel around Australia or stay in your family home, then obviously a retirement village is not for you. However, it can be an ideal option for retirees who want to meet new people of a similar age and make the most of centralised facilities.

Because of the financial and legal repercussions, we suggest you talk to your adviser about your options and how they will affect you and your estate.



good way of comparing purchasing power from country to country and, consequently, whether a currency is over- or under-valued.

The index takes the local price of a Big Mac, converts it to US dollars, then compares it with the cost of a Big Mac in the US. This is a rough indication of whether the currency is under- or over-valued (a Big Mac will be cheaper, relative to the US, if that currency is under-valued).

For example, in January 2006, the cheapest Big Mac was found in China, where it costs \$1.30, compared with the average American price of \$3.15, implying that the Chinese Yuan is 59% under-valued. So where can you buy the world's most expensive Big Mac? In Reykjavik, Iceland, where you can expect to pay the US equivalent of \$6.67.

Protecting your wealth with risk insurance

Part 5: Total and permanent disability insurance

In the last in our series of articles about protecting you, your family and your business with risk insurance, we look at total and permanent disability insurance, or TPD.

TPD insurance provides for the payment of a lump sum if, because of a sickness or injury, you are permanently unable to work.

Some policies require that you are permanently unable to work in **any** occupation while others are more liberal and only require that you are unable to work in **any occupation for which you are 'reasonably suited by training, education or experience'**.

In some instances, cover can even be provided so that a payment would be made if you were permanently unable to work in your **own** occupation.

Are there any exclusions?

Benefit payment is usually excluded if you become totally and permanently disabled as a result of a self-inflicted act or if it is caused by 'war or an act of war'; however, policies can differ.

How do you get TPD insurance?

Cover can be accessed through a range of companies on our recommended list, and TPD is often bundled with life insurance. In many cases, death and TPD cover can be accessed via your superannuation fund, giving you tax advantages. You should talk to your adviser about the most suitable policy for you.

What are the chances of becoming totally and permanently disabled?

The chance of suffering a sickness or injury between the age of 35 and 65 that will lead to total and permanent disability is about one in 10.

Source: General Reinsurance Life of Australia Ltd

How much should I have?

What are some typical issues you may face as a result of becoming totally and permanently disabled? If you cannot manage them, how much would it cost to have them managed for you?

Self-care

- Showering or bathing
- Dressing
- Eating
- Toileting

Mobility

- Getting in and out of bed/chair
- Moving about your home or going out

Housework

- General household chores e.g. washing, vacuuming, dusting

Guidance

- Interacting, making and maintaining relationships
- Coping with emotional distress
- Making decisions, thinking through problems

Health care

- Taking medication/administering injections
- Dressing wounds
- Using medical machinery
- Manipulating muscles or limbs

Property maintenance

- Changing light bulbs, tap washers, clearing gutters, etc.
- Minor home repairs
- Mowing lawns, watering, pruning, etc.

Meal preparation

- Preparing and cooking food

Transport

- Travelling to, and away from, your home
- Use of public transport

Paperwork

- Checking bills or bank statements
- Writing letters or emails
- Filling in forms



A case for TPD

Andrew is a single 27-year-old geologist who enjoys a happy social life. Unfortunately, when driving home from work one night, he was involved in a car accident and received serious spinal injuries resulting in quadriplegia. His circumstances were severely changed and he found himself needing a wheelchair for the rest of his life. Andrew had taken out a total and permanent disability policy for \$750,000, which was paid out in full.

He was able to use the lump sum payment to help him adjust to his dramatic change in circumstances. Some of the costs Andrew was forced to outlay included fitting his home with wheelchair access ramps, full-time carers to look after him, and ongoing medical costs associated with his disability.

In Australia, a Big Mac costs the equivalent of \$2.50 US². Based on this, the Australian dollar could be said to be 18% under-valued.

But does it work?

The Big Mac index is useful to an extent. One problem is that all Big Macs are made locally. (You can't, for example, send a container load of Chinese Big Macs to Iceland for a tidy profit – it's not that type of product.) This means there can be local price distortions, particularly as many of the costs of producing a Big Mac – labour, electricity, rent – vary widely.

Ultimately, the Big Mac index is designed to be a fun, thought-provoking way of bringing complex economic questions to life. But one perennial question it won't help us answer is, 'Do you want fries with that?'

For more information, go to www.economist.com/markets/bigmac.

¹In case you were wondering, on average, it's 117. (Source: www.mcdonalds.com.au)

²As at 16 January 2006.

Bigger than Ben Hur?

Australia is home to many unique things, and larger-than-life tourist attractions are no exception. Travel through any state or territory of Australia and you're likely to encounter one of nearly 50 'big things'.

From representation of a region's history and livelihood to the weird and wonderful, we've taken a look at some of the most well-known 'big things'.

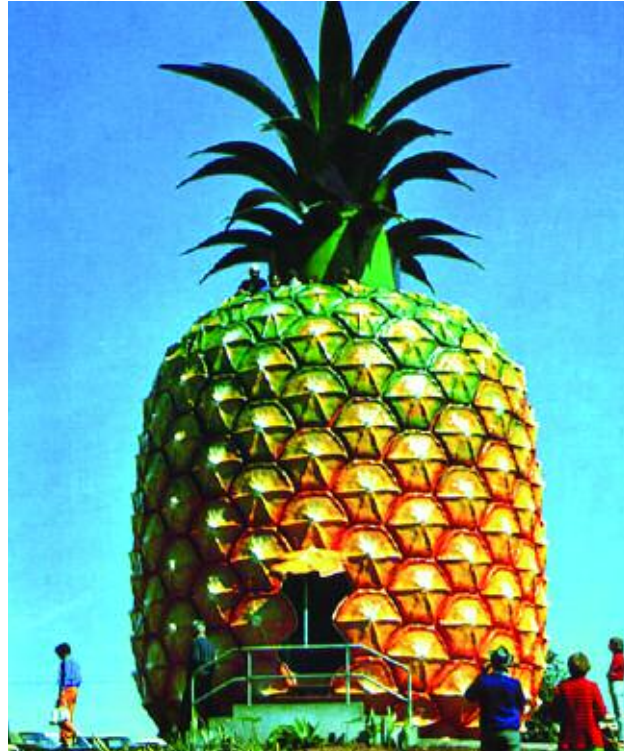
Let's start with one of Australia's most popular tourist attractions, the Big Pineapple. Located in Nambour on the Sunshine Coast in Queensland, the Big Pineapple was constructed in 1971 and is made of fibreglass.

It's 16 metres high, and sits on a 170 hectare active plantation that includes a macadamia nut farm. The attraction includes train tours, two restaurants, shops, a tourist information centre and macadamia factory tours.

Source: www.bigpineapple.com.au

The Big Banana is another of Australia's most photographed objects. The 11 metre long, 5 metre high and 2.4 metre wide concrete structure can be found in Coffs Harbour on the northern coast of New South Wales. The first of Australia's giant landmarks, the Big Banana opened in 1964 and has grown over the years. Visitors can now enjoy a toboggan ride, view the scenery from the Coffs Coast lookout, jump on a monorail tour, try out the ice skating rink or buy all things banana in the souvenir shop.

Source: www.bigbanana.com



Located on the southern approach to Tamworth in New South Wales, The Big Golden Guitar was unveiled in 1988 by Slim Dusty. The guitar is a replica of the golden guitar used for Australia's Annual Country Music Awards. Standing 12 metres high, the guitar sits out the front of the Big Golden Guitar Tourist Centre.

Source: www.biggoldenguitar.com.au

Some of Australia's more unusual 'big things' include:

- The Big Easel, located in Emerald, Queensland. It's 25 metres high, with a 7 metre wide by 10 metre high replica of a Van Gogh painting.
- The Boxing Croc, a 10 metre high construction at a service station in Humpty Doo, Northern Territory.
- The Big Gold Panner in Bathurst, New South Wales.
- The Giant Gumboot in Tully, northern Queensland. (Tully holds the record for the nation's highest annual rainfall, with 7.93 metres recorded in 1950.)
- The Big Match Sticks, Sydney, New South Wales.
- The Giant Earthworm in Bass, Victoria.

1492

The discovery of the New World (later called The Americas) was a monumental event of the 15th Century. On 12 October 1492, Christopher Columbus finally sighted land after a 10-week journey from Spain.

The next day his ship, *Pinta*, landed and Columbus planted the flag of King Ferdinand and Queen Isabella of Spain. However, it would be another 128 years until the first settlers arrived in the US.

1492 also marked the surrender of the Moors to the Spanish, the births of Francesco de Layolle (Italian composer) and Polidoro Caldara da Caravaggio (Italian painter), and the death of Pope Innocent VIII.

Looking at the broader period of the 15th Century, it was marked by the rise of the Spanish Empire, starting in 1402 with the conquest of the Canary Islands. (The Spaniards continued to reign for another couple of hundred years.) Also in the 1400s were the Hussite Wars in Bohemia (1420-34), Joan of Arc's dramatic end to the Siege of Orleans (1429), and the Fall of Constantinople (1453) marking the end of the Byzantine Empire. It was also the century in which China's capital was changed from Nanjing to Beijing (1403) and the Incan Empire was founded by Pachacuti (1438).

In addition, the 15th Century gave us the Renaissance, Leonardo da Vinci (1452-1519) and scotch whiskey – perhaps the century's most important contribution if you're partial to a nip!



News bites



Super splitting available 1 July

If your super fund offers super contribution splitting, from 1 July 2006 you may be able to apply to have eligible contributions split to your spouse's

super fund. This may only apply to eligible contributions made since 1 January 2006, when the super splitting legislation came into effect.

Source: Desk Caddie

SMSF tips



Setting up a self-managed super fund (SMSF) in July, at the start of the new financial year, could save you money. You'll save on audit fees (SMSF funds must be audited every financial year), and on ATO fees.

Note: SMSFs are not suitable for everyone – please speak to your wealth adviser to see if you could benefit.

Cold hard cash



Did you know that McMurdo Station in Antarctica has its own ATM? It is the southernmost ATM in the world.

Source: www.users.ncia.net

New tax rates

New personal tax rates (not including the Medicare levy) for Australian residents are proposed from 1 July 2006.

Taxable income	Marginal tax rate
Up to \$6,000	Nil
\$6,001 - \$25,000	15%
\$25,001 - \$75,000	30%
\$75,001 - \$150,000	40%
Over \$150,001	45%

Source: Desk Caddie

Protect yourself from Alzheimer's

Alzheimer's is a degenerative disease that affects one in 25 Australians aged 60 years and over. Recent research has shown some lifestyle choices can help prevent Alzheimer's. Try these:

- Maintain a healthy weight and exercise regularly
- Avoid high-fat foods
- Control blood pressure and cholesterol
- Avoid head trauma
- Keep mentally and socially active (to promote new connections in the brain)
- Avoid excessive alcohol intake

Sources:

Better Health Channel website
http://www.helpguide.org/elder/alzheimers_prevention_slowing_down_treatment.htm



IMPORTANT INFORMATION

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