

## Quote of the Day

"You load sixteen tons,  
what do you get?  
Another day older  
and deeper in debt.  
Saint Peter, don't you call  
me 'cause I can't go;  
I owe my soul to the  
company store"

-Tennessee Ernie Ford-



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Michael & Jenny will be on holidays from Monday 12<sup>th</sup> July and returning on Monday 19<sup>th</sup> July. They will be spending a week on Hamilton Island with their children, Ally & Jonny.

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Michael was recently asked for comments in relation to an article in the Financial Review. A copy of the article can be found on our website at [www.capitalresults.com.au](http://www.capitalresults.com.au)

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Ron being "Pop" with his grand-daughter, Ava

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"in other words, lost super will become a Government cash cow"

## What is the risk of a double dip?

Since April the worry list for investors has expanded dramatically – concerns about Europe, a hard landing in China, tougher bank regulation, a US housing sector relapse, tensions in Korea, the Middle East and Thailand, the oil spill in the Gulf of Mexico and the proposed Australian resources tax all weighing on investors. Signs that the global recovery may soon pass its fastest phase and is losing momentum have also led to concerns that we will soon see the dreaded "double dip" in global economic activity. But how worrying is the emerging loss of momentum in global growth and what does it mean for investors?

Firstly, **some loss of momentum was inevitable**. Most growth indicators had reached extreme highs and if they continued to accelerate it would have been consistent with a boom/bust scenario. It is perfectly normal for growth to bounce strongly coming out of a recession or steep downturn, as stimulus measures take hold and production is ramped up to meet demand, and then settle down into a pace more consistent with steady expansion.

Second, **fears of a double dip back into recession are common after all major recessions but the reality is that double dips are unusual**. If a double dip is defined as a fall back into recession within two years then the only US double dip in the last 85 years was in the early 1980s.

Also, in relation to market returns, history shows that the second 12 months after a market crash generally sees smaller gains and an increase in volatility. The average gain in Australian shares in the first 12 months after a bear market ends is 28%, whereas the average gain in the second 12 months is just 6%. Similarly, the average gain in US shares in the first 12 months after a bear market ends is 39%, followed by an average gain of just 8% in the second 12 months. This reflects a combination of factors including the bear market undervaluation being removed by the initial rally in shares, the shift in growth leading indicators from acceleration to more sustainable expansion and the commencement of the unwinding of stimulus.

Recent share market action suggests that shares have built a base after their April-May correction and are now starting to move higher again.

Source: AMP Capital Investors – "Oliver's Insights, Edition 21 – 17<sup>th</sup> June 2010".

## Lost Super

Under the proposal announced in this year's federal budget and introduced into parliament a fortnight ago, super providers will be required to transfer lost members' accounts - where the balance is less than \$200 or the account has been inactive for five years - to the Australian Taxation Office (ATO).

Once the money is transferred to the ATO, any that remains unclaimed will end up in consolidated revenue. In other words, lost super will become a Government cash cow.

Lost super accounts were originally set up to capture small balances left unclaimed but evolved into a \$13 billion black hole - about 1 per cent of all super - almost by accident. While most accounts hold small amounts, some hold more than \$10,000.

If you think you have any lost super, try tracking it down at the ATO SuperSeeker search tool at [ato.gov.au/superseeker](http://ato.gov.au/superseeker) or call 132 865 – otherwise the government will keep it!

Source: Sydney Morning Herald (21<sup>st</sup> June 2010)

**Don't forget** - these newsletters are now being sent out via email as well as post. If you would prefer to receive future newsletters via email, give us a call on 9233 4111, or email [shelly@capitalresults.com.au](mailto:shelly@capitalresults.com.au) to update your details.

## Did you know we can help with personal Risk Insurance?



*"Life insurance helps alleviate the financial burden your family may be left with after your death"*

### Why should I consider risk insurance?

Put simply, risk insurance is there to provide you with protection against the financial implications of an event such as death, disablement, serious illness or injury.

### What insurance types are available?

There are a range of insurance types available that can be tailored to suit your needs and personal situation. The most common types of risk insurance include:

- **Income protection**

In the event that you are unable to work due to prolonged illness or injury, income protection provides you with a monthly benefit of up to 75 per cent of your salary. This is paid while you are unable to return to the workforce, potentially up to age 65. The premiums that you will pay for this type of policy are tax deductible. However, any payments you receive as a result of this policy are classified as assessable income for tax purpose.

- **Life insurance**

Life insurance helps alleviate the financial burden your family may be left with after your death. Usually paid as lump sum, your dependants can use this money at their discretion to assist with medical costs, funeral expenses or help secure their future. The cost depends on the amount of cover (age and smoking status are also determining factors) you choose and the level of cover you have should be reviewed regularly to ensure its ongoing suitability.

- **Total and permanent disability (TPD)**

This is generally taken as an optional extra within a life insurance policy, but can also be arranged as a stand-alone policy. In broad terms it provides a lump sum in the event of a permanent disability that prevents you from returning to work. This lump sum can be used in any number of ways at your discretion to provide for your dependants to compensate for the loss of your income, repay your debts or cover capital gains tax liabilities.

There are certain conditions that need to be met to receive a TPD benefit payment; these vary significantly between insurance providers. Before taking out TPD insurance it is important to understand the conditions under which the insurance company will pay a claim.

- **Trauma**

Trauma insurance is generally paid as a lump sum upon diagnosis of an eligible condition (e.g. cancer, heart disease), and the funds can be used at your discretion. You can use it to pay for additional medical care, or to pay off the mortgage to relieve the financial pressure on your family.

The benefits are paid to you when you are diagnosed with – and survive – an eligible condition. This will ensure that you and your family have a lump sum to cover rehabilitation, carer or just day-to-day costs when you most need it.

Source: Consultum Fact File – 'Personal Risk Insurance Management'

**If you would like us to review your current insurance or recommend appropriate cover for yourself and/or your family, please contact us.**

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