

Kennas Financial Services Pty Ltd

News & Views 2008

With Christmas now a distant memory we thought it timely to take a look back at 2007 and also have a look at what is in store for 2008. The past year saw many changes, not only within the Financial Services industry but, also within our firm.

Our Celebrations

- 2007 was a proud milestone for Kennas Financial Services, celebrating 20 years in the industry. Having commenced in 1987, with Jeff Buntain and Suellen Ohl, the financial planning division of Kennas has expanded greatly, due to the importance which is now being placed on Financial Planning as a specialist field.

The current staff of 9 consists of 2 advisers - Suellen Ohl and Corrine Gyuris, 4 paraplanners - Jane Hellyer, Jennifer Watson, Brent Giles and Cameron Munns and 3 administration staff - Judy Matotek, Donna Dillon and Katrina Nelson. In addition, Darren Smith, one of the partners of Kennas and Andrew Landsberg, a senior chartered accountant at Kennas, are currently undertaking the required study and training so they can help out in the Financial Planning area when the need arises.



- KFS Executive Director and Kennas Partner, Suellen Ohl, has firmly secured her position as one of the leading Financial Planners in Australia. Sue, a Chartered Accountant and Certified Financial Planner, has sat the Financial Planning Masterclass exam for the past 8 years, finishing in the top 50 in Australia each year. This year Sue has outshone all but three of her peers by finishing equal 4th in Australia and being the only female planner named in the top 10.

The Masterclass exam is conducted by the Australian Financial Review "Smart Investor" magazine and is open to all Certified Financial Planners and Financial Planning Specialists. It is designed to test all technical aspects and the rules and regulations that govern financial planning and to ensure that planners know how to use them to add value for their clients.

Details of this year's Masterclass, including Sue, are in the February 2008 edition of "The Smart Investor" magazine. We are extremely proud that our technical expertise in financial planning has been recognised and we congratulate Sue on her outstanding achievements.

- November saw the retirement of one of the firms stalwarts in Neil Craig. Neil, who has been an adviser with KFS since 1993, will be sadly missed and we wish him and wife Trish all the best in their retirement. This photo shows the KFS team with Neil and Trish at Neil's retirement function.



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Changes to Superannuation & Centrelink

From an industry perspective 2007 saw changes to both Superannuation and Centrelink rulings which have had a huge impact and given significant opportunity for tax effective investments.

- The 2006 budget announcements which are now in place mean:
 - From 1 July 2007 all lump sum withdrawals and pension payments from superannuation became TAX FREE for persons aged over 60 years.
 - From 1 July 2007 a maximum tax deduction of \$50,000 p.a. per person is allowed. As a transitional measure, people aged over 50 years can make a deductible contribution of \$100,000 p.a. until 30 June 2012.
 - Tax deductibility for persons working has been extended to age 75 years.
 - Superannuation benefits no longer have to be compulsorily cashed once members are over 65 years of age and retired.
 - For Allocated Pensions being paid from superannuation after 1 July 2007, retired members are able to withdraw as much as they wish with only minimum annual payment laws applying.
 - The level of assets allowed for Age Pension Centrelink entitlements under the Assets Test increased from 20 September 2007. This means there will be some entitlement to pension under the Assets Test for a single person, who is a home owner, with up to \$529,250 of other assets and \$839,500 for a couple. (Value of own home is excluded). The Income Test has remained unchanged.

The Market Ups & Downs

- 2008 has so far been a harrowing year for investors with market volatility the front page news, as share markets fall sharply amidst ongoing worries of a US recession and its impact on the global economy.

Shares have had falls from their highs last year of 19% in the US, 25% in Europe, 33% in Japan, 25% in Asia (excluding Japan), 21% in the emerging markets and 24% in Australia. January saw the longest run of consecutive down days since January 1982, and its 24% fall from a record high on 1 November is its worst slump since a 32% fall between August 1989 and January 1991. The Australian market is currently ballpark where it was around the March and August 2007 corrections. The key drivers are:

- worries about a US recession with a run of bad economic data and continuing credit market woes flowing from the sub-prime crisis;
- US investment banks reporting lower profit results,
- the rising cost of raw materials;
- deteriorating news in Japan, Europe and emerging markets generally.

It is hoped that the US Federal Reserve's move to cut interest rates (twice within a week in February) will help. Shane Oliver, Chief Economist with AMP, believes due to the size of the falls to date, a lot of the damage has already been done. So although further falls cannot be ruled out and it sometimes takes a while to regain previous highs, history shows 20% plus falls in Australian shares since 1960 have been followed with generally strong returns over the subsequent year.



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The other side of the coin means that share markets are now cheap with a forward price to earnings multiple on Australian shares of 12.8 times which is well below the average over the last decade of 15.3 times; and global shares are around 12 times, which is an extreme low compared with the last decade. Australian shares also now offer a dividend yield grossed up from franking credits of an average of 5.7% which is the highest level since 1991.

Shane Oliver also says "a local recession is very unlikely thanks to a housing shortage, numerous infrastructure and mining projects, stronger consumers and Australia's exposure to still relatively strong growth in Asia". The last thing investors should do is panic out of markets, as investing in shares should be seen as a long term proposition. While there may well be further weakness ahead, trying to time the bottom is impossible so the best approach for long term investors is to sit tight. For those wondering when is the best time to buy shares, the best approach may be to average in over the next six months rather than hope to be able to predict the precise bottom or alternatively to limit the impact of getting back in too early.

ID Collection

- In what has become a sign of the times, the Financial Planning Industry has been called to the fore in assisting the Government in stamping out "Money Laundering" and "Terrorism Financing". From 12 December 2007 new Anti-Money Laundering and Counter-Terrorism Financing (AML&CTF) laws came into effect.

In a nut shell this means not only new, but existing KFS clients will now be required to provide identification documents when carrying out certain transactions on their accounts.

A brochure explaining the new laws is enclosed and we would ask that next time you are in town or have an appointment with us, that you bring in any one (1) of the identification documents listed in the enclosed brochure. We will copy these documents while you wait. Once we have your identification documents on record, transactions will proceed as they have in the past. Please note that once an identification document has expired we will be required to obtain a new document from you, so please supply documents with the longest expiry date, where possible.

Superannuation for 2007/08

- Don't forget that superannuation contributions for this financial year can be paid at any time up until 30 June 2008, and commence to earn from the date invested. So if you are comfortable with some exposure to Australian and/or international shares, it is worth considering to make your investment now while the markets are subdued.

All superannuation funds do not have exposure to shares and we can advise you on capital guaranteed funds, interest bearing superannuation investments or some investments in share related assets that have an underlying guarantee after a number of years. It is easy to have a conservative approach with superannuation, as well as other investments if you prefer.

Kennas Financial Services is looking forward to 2008 with a progressive and enthusiastic team, and we will continue to provide you with some of the highest level of specialist Financial Planning advice available in Australia. Please contact us if you have any queries or concerns or you would like some advice.



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What we can do for you:

- Investing and tax planning expertise, especially in the complex areas of superannuation, lump sum and redundancy payments.
- Retirement planning and the use of allocated pensions, rollover funds and annuities.
- Assessment for Centrelink and Department of Veterans' Affairs pension eligibility.
- Advising and lodging of investments in :

Insurance Bonds
Friendly Society Bonds
Superannuation Bonds
Property Trusts
Equity Trusts
Diversified Investment Trusts
International Share and Bond Trusts
Debentures
Term Deposits
Bank Bills
Shares
Allocated Pensions
Annuities

- Through our connection with Goldman Sachs JBWere Limited, we can arrange:

Buying and selling of shares
Research information on all major companies
Portfolio evaluations

- Wealth Protection advice on matters such as :

Business Succession Funding
Key Person Insurance
Life and Disability Insurance
Accident and Illness Insurance
Trauma Insurance
General & Business Insurance
Income Protection Insurance

- Estate Planning

Wills
Enduring Power of Attorney



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We are fully trained and authorized Investment and Financial Consultants and we hold Australian Financial Services Licence No 239168. All our advisers are qualified in the fields of accounting and/or financial planning.