



# The Josman Bulletin

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*Advice—It's all about you...*

## A Positive Note



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As I write this we are only 5 weeks away from Xmas and one might say—"where has the year gone?" 2011 started with some tragic natural disasters in different parts of Australia which has had a financial impact on many people's lives. From a markets point of view the year started with a lot of promise, the Australian market was sitting at 4849 and had been on a steady recovery since July 2010 when the market was sitting on 4250. Since then we have seen the market track sideways and then the European crisis has gripped world markets since the middle of the year, consequently our markets have retracted back to around 4351, but going as low as 3927.

Last week I had the opportunity of meeting with several fund managers and economists in Sydney where they briefed us on a range of issues including Europe, US, China and Australian economies. It was interesting to note that all Analysts believed that the European crisis was not going to have a "material effect" on our markets long term, China's economy will slow slightly over the next couple of years as they go through a restructure and continue to build infrastructure.

In Australia we recently had the Reserve Bank reduce interest rates by 0.25%, we are very fortunate here as Australia has "plenty of room to move" with predictions that interest rates will potentially reduce a further 0.75% - 1% over the next 12 months. The US, UK and Europe do not have this luxury with their interest rates at record lows or even 0% with no room to move.

Australia is well placed to take advantage of growth opportunities over the coming years and most Analysts believe investors will benefit from this as long as they kept their money in growth areas such as Australian & International Shares. All this is encouraging news for our investors in superannuation and investments because we should see the market rebound over the next 2 years to previous high's in the marketplace restoring some value and confidence.

Another point to note is that we have had some enquiries lately about personal insurance and how much cover is enough? The best way to determine this is to have a comprehensive analysis based on your individual circumstances such as debt levels, income and expenses levels and a financial forecast, there is no cost for this service and if we can save you money on your existing cover, we won't charge a fee to prepare your plan for you, this is also available to anyone you refer to Josman.

In our final newsletter for the year we have an interesting article on "taking care of our children—financially" and the financial risks is something goes wrong, we certainly don't want to think about these issues, but they are certainly real. We also look at how women feeling about money and what's happening with the economy, it appears they think quite differently from men about these issues? And finally getting into the "spirit of Christmas, we have a look at what "Xmas means to you" and some interesting facts about Xmas!

I'd like to take this opportunity to thank all our valued clients, referral partners and business associates for your valued and continued support throughout 2011, we really appreciate and value our relationships with you. We have been referred many friends and family or clients this year again and to me there is no greater compliment than a referral to a friend or family member. Finally I'd like to thank my loyal staff for their great service to our clients through out the year, they are the ones that do all the hard work behind the scenes looking after your plans, administration and supporting me in helping you.

I wish you and your family a very Merry Xmas and Happy New Year in 2012.

Kindest regards, Matthew Brown

## Taking care of the children

Most families run a tight ship when it comes to finances. There's money for the mortgage, the utilities, the school fees, child care, general living expenses and perhaps a holiday most years. But what happens if the ship hits some stormy weather?

That storm can be triggered not only by losing your job or becoming sick, but also if someone in your family requires extensive medical care. In a perfect world, no child would be ill but sadly that is not the case. For instance, each year approximately 600 Australian children are diagnosed with cancer. Each year there are also around 1,000 spinal cord injuries to children, 544,000 children are admitted to casualty, and 200,000 children become critically ill.

Figures from the Australian Bureau of Statistics (ABS) indicate that 8 per cent of children aged 15 or under will suffer some type of disability<sup>3</sup>. The ABS defines this as the presence of any limitation, restriction or impairment which has lasted for at least six months and restricts everyday activities.

**Additional financial burden** Sick children need a lot of care and attention, and the family may be placed under additional financial pressures. This can prove difficult to deal with, especially if you have other children to care for. Aside from the emotional turmoil and feelings of helplessness, you still need to find time to look after the rest of the family. Let's take Tom, aged 9, who developed childhood leukaemia resulting in long stays in hospital. Mum Sally found it impossible to keep up with her part-time job and look after Tom as well, which resulted in the family losing an income. Even though she now had the time to spend at the hospital, her other two children, Lucy, 5, and Ben, 7, still needed to be cared for both before and after school. This was not previously an issue as Sally was working from 10 am to 2 pm, and she was there for the children when they were not at school.

Medical costs also need to be taken into account. At least the family lived in a major capital city, but if they had lived in regional Australia they may have had to add the costs of accommodation and travel to seek treatment from specialists at the city hospital.

Thankfully, after discussions with their financial adviser, Sally and her husband Rick had the foresight to take out trauma insurance for themselves and had opted to buy extra cover for their children.

**Child trauma protection** Most insurance providers offer children's trauma insurance as an adjunct to the adult trauma policy, and its importance cannot be underestimated. The insurance usually covers children aged from 2 to 16 years old, although this can vary and the premiums are significantly lower than those for an adult. Sums insured can be as high as \$200,000. With this cover, Sally and Rick received a lump sum payment which covered all the associated expenses of Tom's illness. Had his illness been different, for example if he became wheelchair-bound, there would have also been money available to pay for modifications to their home. Most trauma insurance policies cover such events as blindness, cancer, major head trauma and severe burns. Many policies offer a continuation option, so that once the child becomes a young adult, they can convert it to their own contract. As with all insurance policies, it is important that you choose one that best suits the individual needs of your family. Every policy is different, with different inclusions and exclusions.

Consequently, it is wise to get advice to help you navigate your way around all the policies and options available. It is also possible for grandparents to cover their grandchildren through their stand-alone life/trauma policy. Of course, many people in their 60s and 70s may no longer have life insurance if dependent children and having a mortgage are things of the past. Nevertheless, the option is there. Insurance – whether life, income protection or trauma – is all about taking care of your family should you lose your ability to earn an income. It may be time to review your insurance needs with your adviser, to revisit trauma insurance, and the different options available. Including your children in the cover is worth considering as your ability to work may be impeded should they suffer a significant illness or injury.

1 Australian Cancer Research Foundation

2 Comminsure Statistics, 2007

3 ABS, 4446.0 – Disability, Australia, 2009



# Women and Money

Against a backdrop of global debt woes and financial market uncertainty, Australian women are more worried than men about their financial wellbeing and less optimistic about the economic outlook.

According to recent surveys by Million Dollar Woman, only 30 per cent of working women are confident that Australia will avoid an economic downturn, compared with 47 per cent of men(1). What's more, nearly twice as many women (18 per cent) are pessimistic about the economy's future than men (10 per cent)(2). It is not clear from the research why women are more concerned about their finances than men, but there are a number of possible reasons.

In most families, women have primary responsibility for household shopping so they may be more sensitive to rises in the cost of living. Debt could also be an issue. Research by Million Dollar Woman found that women owe \$2.60 for every \$1 they earn, compared to \$2.10 for men(3). Debt can be good when it is used to build wealth, but it causes problems when it is used for everyday spending and not managed wisely. The less income you have, the more difficult it is to support a significant amount of debt. Not only do women earn less than men on average, they are more likely to take time out of the workforce to raise children, leaving them with less money saved for retirement. The average superannuation balance in 2009/10 was just \$40,475 for women compared with \$71,654 for men(4).

## Knowledge is power

There is another possible explanation for women's lack of optimism; perhaps they are just more realistic than men. The most famous study of gender differences in investing, by academics at the University of California, found that male investors tend to be overconfident and this leads them to trade their share investments more often than women and take greater risks(5). But men were no more skilful or successful than women. Could it be that women are more willing to own up to the fact that they do not know everything? While women may have good reasons to be less optimistic than men, it does not mean they are powerless to act. The best way for women – and men – to take control of their financial destiny is to increase their knowledge.

1 Million Dollar Woman, Australia's financial outlook 'worries' women, 19 August, 2011 2 Allianz Future Optimism Index, 23 August, 2011

3 Million Dollar Woman, *ibid.* 4 ASFA, based on ABS Survey of Income and Housing 2009/10 (released 19 September 11) 5 Brad Barber and Terrance Odean, 'Boys will be boys: Gender, overconfidence and Common Stock Investment', Quarterly Journal of Economics, February 2001.

## Specialist Advice

The Josman Financial Group is able to review a wide range of different options to suit your Individual needs. The team specialise in advice on:

Superannuation	Retirement Income Streams	Rollovers
Annuities and Pension Advice	Centrelink Advice and Calculations	
Wealth Creation	Managed Investments	Margin Lending
Geared Investments	Capital Protected Investments*	
Self Managed Superannuation Funds	Risk Insurance Assessment	
Business Insurance	Estate Planning	Mortgage Referrals
Tax Effective Strategies	Budgeting and Cashflow Management	

At Josman Financial Group we are committed to delivering Quality Advice to our clients by adding value to your financial situation.

# Christmas, what does it mean to you?

One of life's paradoxes is that the events we most look forward to often cause us the most stress.

The festive season and Christmas cheer, presents and parties – they all seem to begin earlier each year. This joyful time can become overwhelming and create unrealistic expectations personally and financially. To avoid some of the pressure, we can try to think differently about Christmas this year. What does Christmas mean to you and your loved ones? Peace – of mind or in the world; beliefs – in a religious or magical sense; or joy – whether it comes from loved ones or gifts. If overspending will cause financial strain, reconsider your spending plans. Be realistic about Christmas this year. It is only one day of the year and people will remember your presence more than the presents. You can start planning for Christmas spending early and spread your expenses over the year so you are not left dreading the arrival of bills in January. And to reduce your expenses, buy items that can be shared or start a new tradition in your family such as Kris Kringle. So this year, focus on what is important and what it means to you and your family. Enjoy the festive season and ensure you have a happy new year.

## Interesting facts about Christmas:

- Australia Post estimates that 70 million cards will be sent this Christmas ensuring the tradition is as popular as ever.
- The word Christmas is derived from the Old English word 'Cristes maesse' which literally translates to Christ's Mass – although no one knows for sure the exact date of Christ's birth.
- In many households, the fun of eating Christmas pudding is in finding a trinket that predicts your fortune for the coming year. The idea of hiding something in the pudding comes from the tradition in the Middle Ages of hiding a bean in a cake that was served on Twelfth Night.
- The poinsettia is a traditional Christmas flower. In Mexico (its original birthplace), the poinsettia is known as the 'Flower of the Holy Night'.
- Leftover food can sometimes be your enemy. Spoilt leftovers are responsible for 400,000 cases of post Christmas associated illnesses.
- The first Christmas stamp was released in Canada in 1898.



***On behalf of all  
the staff here at  
Josman  
Financial  
Group  
we would like to  
wish you all a  
very Merry Xmas  
and Happy New  
Year in 2012.***

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