

October 2011



I hope this edition of Josman News finds you keeping well.

In August, we wrote to you to help make sense of what was happening in investment markets and to provide some guidance for the future. In this edition we look at capital protection investment strategies that can provide you with peace of mind by protecting your capital or income. These strategies are not new and some clients have chosen a capital protected path as it has suited their needs. It is part of our role to continue to present the options to you. So if you have ongoing concerns about market volatility, make a time to meet with us to discuss and consider a capital protected strategy.

We speak with Paul Jameson about Golden Gurus—a business mentoring program for small businesses in our region. We know so many of our clients have varying talents, business and professional backgrounds that would be a great asset to this program. If you have time on your hands and wish to make a difference then you might like to consider becoming a Golden Guru.

We are delighted to have secured a wonderful motivational guest speaker for our end of year client seminar that will be held on Thursday 10th November.

Eva Bennett, Author of 'So what do we do now? The Baby Boomers Guide to Enjoying Retirement', will share with you her six ingredients to cook up a great life in retirement.

Eva is a renowned speaker and travels around Australia giving presentations to various retirement groups and is often invited to be a key note speaker at various industry conferences.

You might like to read more about her at www.evabennett.com.au.

This is one client seminar you don't want to miss. We'll also be looking at what's happening in global markets and what this means for you. Your feedback from the last seminar told us you much preferred the RSL as a venue for ongoing seminars, so we'll be holding the November one there.

I would also like to draw your attention to the lovely ladies—Jenny O'Malley and Paris Clarke on the back page of the newsletter. These two ladies are part of our administration team that support the Ballina office but physically reside at our Broadbeach office.

There will be times when Chris and myself are in client meetings, and our phone will be diverted to the Broadbeach office. Jenny and Paris are there to help you and provide support to us. You may very well find that they'll be able to answer your question on the spot or they will happily investigate a matter for you. They are in touch with Chris and myself throughout the day regarding your requests, so if it is something that requires our attention, they'll ensure we get your message.

Keep an eye out for your seminar invitation. We look forward to seeing you at this event.

Brian Davis

*Staying in Touch
Seminar*

**Reserve this date
10th November
Ballina RSL**

Calling for Golden Gurus

It's one thing to study and learn skills from a text book but it is so much more powerful when it's based on real life experience. This is something that has been recognised by Southern Cross University and NORTEC—together they've formed a business mentoring program called 'Golden Gurus' and they are in search of individuals with backgrounds in business management to help small businesses prosper in our region.

In the Northern Rivers Region, small businesses are one of the main wealth creators and employers, so the health of these businesses is the basis of our local economy.

Retired chemical engineer Peter Bowen, who previously worked in the corporate world for Sydney-based sugar and building materials giant CSR, moved to the Northern Rivers 10 years ago. He said participating in the program was more enjoyable than spending hours on the golf course.

"I enjoy giving something back to the community," he said.

"This region has a huge number of people who have retired who have great business skills so I would encourage them to consider becoming a mentor to help start-up businesses," he said.



NORTEC and Southern Cross University recognise that if small businesses are mentored they can double their chances of becoming viable. The Golden Gurus mentoring program was first trialled in 2010 and is now working with volunteers to bring the program to life.

Byron-based earthenware artist Jules Hunt, who participated in the trial, said it helped put her gallery on a firm financial footing and allowed her to take on a trainee.

"My business was at a point where I really needed help and guidance," she said.

"A lot of our discussions were about time management, distribution and production processes."

"Having an older mentor has been great because they have more wisdom and ability to step back and focus on your business."

The mentors may be retired or semi retired and do not need any mentoring experience as training is provided. They are asked to commit for a six month program and will meet with their mentorees at times and places that are mutually convenient; typically fortnightly at the start and then less frequently as the relationship develops.

Mentors will help the small business develop their vision for the future and then work on business strategies and systems to achieve their goals; topics covered may include marketing, cash flow planning, human resources, product or service development and time management.

For further information on the program email

paul@rdrescue.com.au

or let us know and we can put you in touch.



Risky basis for investment decisions

Events that rock investment markets make it hard for us to step back and see the full picture in context. Relying on the daily news isn't the answer. It is hard to avoid the short-term pressures, but the ability to remain disciplined is essential for success. The current period of market turmoil drives news that suggests urgency or imminent danger. At present, this may be true, but we can make matters worse with the wrong decisions. The human brain is hardwired with a 'flight to safety' response when faced with danger, which can trigger destructive reactions for investment decision making.

The 'news' may make things worse

'News' is not the same thing as 'analysis' - for an event to be newsworthy it needs to meet criteria such as urgency, emotion, conflict, proximity and significance.

These criteria are about triggering an emotional reaction. But this is a poor basis for making sound investment decisions. An additional problem is that the news needs to focus on the very latest developments. Investors need to be able to see the whole story in context. The focus inevitably shifts to the short term, especially when the short term seems bad.

The emotional content of the news is often in the headlines. Consider some of the headlines that were used to describe market falls in recent times - 'The GFC is back and it's here to stay', 'Turmoil wipes out share recovery', 'Time to take cover'.

Unless any investor can step back from this noise they are at risk of making an emotional decision.

Investing when anxious

A danger for investors is that if decisions are made on the basis of fear and panic, they are heightening the risk of simply following the 'herd' and creating a permanent capital loss. A number of things can be done to reduce this risk.

First, investors need a plan. This is not as obvious as it sounds. In good times, it is possible to achieve investment objectives in many ways, and even get away without much of a plan. In tough times, a plan can help ensure that investors don't become 'forced sellers' of assets during market downturns, by allowing for short term needs with appropriate assets.

A plan can also provide peace of mind, which reduces the urge to sell when anxious.

Having a plan doesn't necessarily mean no change. But a plan allows for any adjustments due to personal or market conditions to be made on a sound basis. In tough times, having the right level of cash, diversification and financial protection are all decisions that are best evaluated in the context of a plan.

Secondly, be emotionally ready for bad news - markets are likely to have already priced this in. Most stock markets are already trading well below their normal long-term values, building a weak outlook into their prices. There can still be a short-term overreaction, but typically markets that are cheap eventually recover well.

Recently, the increased potential for the Greek government to default on its bonds has spooked the market. That risk has been known for some time, and is reflected in the current interest rate of nearly 100 per cent on some one-year Greek government debt.

Thirdly, don't ignore positive developments. Sharemarket investors are invested in companies, not countries. Despite all of the volatility of recent months, many company profits are growing strongly. Compared with forecast profits, nearly 60 per cent of the western companies that make up the global sharemarket recently beat second quarter expectations. Company balance sheets are strong and in many cases, awash with cash.

Finally, turn off the news. Perhaps not literally, but tuning out of the day to day cut and thrust of the market movements improves the prospects for sound investment strategies to stay on track. In particular, it is important to be alert to the risk that newsflow could lead to poor investment decisions.

Exert from- 'Breaking News' - a risky basis for investment decisions by Mark Dutton- Chief Investment Officer, AXA Financial Services

Stay invested with capital protection

Capital protection enables investors to insure against market downturns while remaining fully invested to capture sudden market recoveries.

History tells us that investing for the long term pays off as markets have invariably rebounded following a downturn. But with events taking place in global markets and share markets falling on the back of these events, this accepted wisdom is providing little comfort for some investors.

Capital protection can help you weather the market during periods of turbulence.

These are worrying times but share prices have fallen before and the markets have always recovered.

Despite the weight of historical evidence that markets inevitably recover, you could be forgiven for remaining uncomfortable about the markets. One solution is to consider a capital protected strategy.

For a small fee, capital protected options buy you peace of mind. You can stay fully invested in the market and take full advantage of any rebound in share prices without worrying about your investments depreciating further.

Protection at every stage of life

Capital protection is a potentially useful strategy for all investors, regardless of your individual circumstances.

If you're approaching retirement, your priority is safeguarding your retirement income. Capital protection allows you to ensure what you have built up remains yours and cannot be taken away from you. If you're already retired, you can remain invested in growth assets and draw an income without worrying that your pension funds will depreciate.

And even if retirement is still some time away, you may want to consider capital protection to avoid any unpleasant surprises. One bad year can derail your investment strategies and even force you to delay your retirement plans.

These are all options worth considering and speaking to us about. Capital protection can give you:

- The opportunity to build and protect your wealth by guaranteeing your contributions
- The ability to accelerate your retirement investment strategy by increasing your exposure to growth assets without the downside risk that ordinarily accompanies them
- Peace of mind that your retirement savings are protected, even if there is a downturn
- Insurance against a sudden market crash
- The flexibility to lock in future growth and reset the capital protection at a higher level

If you are concerned about market volatility and would like to find out more about protecting your current investment strategy, please call our office to make an appointment.

Our administration team



Jenny O'Malley and Paris Clarke support our Ballina office and planners Brian and Chris. Jenny has worked in financial planning for over eleven years and has been with Josman since 2004. Jenny is responsible for the day to day management and processing of client files, and is a primary contact for clients regarding matters relating to statements and fund manager communications.

Jenny is located at our head office in Broadbeach and can access information to help you with your enquiry. She is a good contact point if Brian and Chris are unavailable when you call.



Paris is likely to be the person that answers the phone when you call our Ballina office! She works with Jenny to maintain our client files and provide administrative support to our Ballina office. She is also responsible for coordinating enquiries and ensuring our clients requests are dealt with promptly. She may need to ask you a few questions so she can help to find the answers to your questions.

Paris and Jenny also manage the diary for Brian and Chris so they can organise your meeting times with them and will help to track them down if you need to speak to them personally.

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