

Summer 08

# Successful People

 AUSTRALIAN FINANCIAL SERVICES



# Successful People



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MONEY QUIZ ANSWERS: 1) Saudi Arabia, 2) ABC Learning Centres, 3) This is the value of a company as determined by the share market. It is obtained by multiplying the number of shares in issue by the current share price, 4) 6 months (2 quarters) of negative economic growth in a country's economy (as measured by its Gross Domestic Product), 5) Westfield, 6) Statement of Financial Position, 7) 98.49 US cents (on July 16), 8) The Industrial and Commercial Bank of China, 9) Here the manager identifies profitable investment themes by anticipating future economic trends, 10) A charge against the carrying value of an asset to recognise its loss of value over a period of time, 11) Paul Volker, 12) Price Earnings Ratio (which compares the current listed price to the company's historic earnings per share), 13) The ticker symbol for the Chicago Board Options Exchange (CBOE) Volatility Index, which shows the market's expectation of 30-day volatility (this in turn is a key component of the pricing of many derivatives and a popular indicator of investor nervousness), 14) Consumer expenditure, investment expenditure, government expenditure, exports and imports, 15) A situation where short term interest rates are higher than long term rates (this is unusual because long term interest investments – such as government and corporate bonds - have capital risk and higher interest rates should compensate for this higher risk).

Zurich's investment specialist, Patrick Noble, provides a quick tour of what the near future holds for each major asset class...

## Cash

Interest rates have been slashed in Australia from 7.25% to 5.25% in a succession of quick moves by the RBA in signs that the credit crunch is taking its toll on the local economy. Further cuts are anticipated through 2009 as the economic outlook continues to deteriorate. Investors have flocked to cash following the Australian government's guarantee on bank deposits, but will need to weigh up its relative safety against the prospect of falling yields into the future.

## Australian & International Fixed Interest

Yields remain attractive on high quality corporate debt and Zurich anticipates a degree of spread compression in the coming months as confidence reverts to more normal levels. Ongoing rate cuts in Australia could also provide additional capital returns for investors.

# Investment Snapshot

## Australian Property

Australian real estate investment trusts (A-REITs) have been severely beaten back from overvalued levels, reflecting the sector's high levels of indebtedness and complex financial engineering. With much of the bad news now priced in, focus will shift to highly geared A-REITs delivering on asset sales and debt reduction for the rest of 2008. Recent capital raisings however, appear to have caught many investors by surprise. GPT and Goodman Group have seen their share prices punished in recent weeks, though they have rallied from their deeply discounted offerings. However, the near-capitulation selling is starting to create attractive opportunities. Even after accounting for further distribution cuts, yields in the sector are quite compelling and quality A-REITs which have been caught up in this vicious selling are offering good value.

## Australian Shares

The Australian sharemarket has fallen approximately 50% from its November 2007 highs as the global credit crisis continues to dominate markets. The recent reporting season was not the catastrophe some had feared and while the risk of further downgrades still exists, the market has priced in a significant buffer at these low levels. Highly geared companies continue to struggle. Alco Finance Group has called in the administrators and Babcock and Brown is currently on life support. It could also be a volatile period for resource companies in the months ahead. Sentiment has not been helped by downbeat assessments of the global economy and China, and falling base metal prices have seen the smaller 'pure-play' miners heavily sold-off. Falling bulk commodity prices do not augur well for iron ore and coal stocks either. The deteriorating outlook has seen BHP pull its bid for Rio Tinto. Rio's debt-funded acquisition of Alcan last year may now be a focal point for investors in the coming months.


## International Shares

Global sharemarkets continue to grapple with the sub-prime fallout, and Western world financials have yet to put the crisis behind them. Financial write-downs are now in excess of \$700 billion, hindering earnings, lending and economic growth. An extraordinary period of volatility was experienced over September and October, culminating in the collapse of Lehman Brothers and the massive rescue package for AIG which set off a chain reaction around the globe that effectively froze credit markets. Governments were forced into drastic action which included massive injections of capital, bank nationalisations and the guaranteeing of wholesale lending and deposits. While conditions remain tense, there are signs that credit markets may now be slowly unlogging. With the focus now shifting back to the economy, decidedly negative macro data is confirming recession in some of the world's largest economies including Germany and Japan. The outlook for the UK is also dire and confirmation of recession in the US should come as no surprise. Some of the hardest hit regions, including Japan still represent good value especially given Japanese companies remain relatively debt-free, have large cash balances and trade at levels at or below book value. While PE multiples appear attractive, earnings uncertainty will continue to dominate sentiment against an uncertain economic backdrop. Investors should continue to look towards companies with strong market positions that are capable of generating solid cash flows over this period of turmoil.

Article supplied by Zurich Investment Management.  
[www.zurich.com.au](http://www.zurich.com.au)



# Surviving a bear market



Historically, we face a bear market every seven years or so. Seasoned investors know that while they do cause concern for many, the sharemarket always recovers.

In the meantime, there are a number of ways we can remain focused and calm, and deal with these trying conditions.

The past ten months have dealt a blow to investors' confidence in the sharemarket. The sharp downturns in most equity prices, along with the depreciation of the Australian dollar and rising inflation, have left many investors wondering whether they should reduce their exposure to equities, or sell out altogether. Fuelled by media speculation and warnings of doomsday scenarios, investors are questioning if their resilience to the bear market will be rewarded.

The most common definition of a bear market is a twenty per cent downturn in the sharemarket's value. Bear markets may occur in only portions of the market, or vary in severity and duration from one segment to the next.

## So where are we now?

The Australian sharemarket – as measured by the S&P/ASX200 – peaked at a record high of 6828 in November 2007 after an outstanding six-year run.

How quickly things can change. Since the start of 2008 to the end of the financial year, the value of the Australian sharemarket dropped by 22%. Correction? Unfortunately not. What we are officially now experiencing is a bear market.

## Where to now?

It's not as bad as it may first appear.

Facing a bear market is simply a natural part of the investment cycle. History shows us that on average, we experience a bear market every six or seven years.

The good news is that bear markets typically last around 15 months, and can sometimes run their course as quickly as one quarter. While there is no certainty about how long this current market will endure, there are a few strategies investors can adopt to ride out the storm.

## Quick Definitions

### Correction

A change in momentum, typically at least a 10% reversal that stops short of signalling a bull market to a bear, or vice versa. Corrections occur when investors feel the market is over or undervalued. A bull market could feature several corrections without becoming a bear market.

### Bear market

The most common definition of a bear market is a 20% downturn in share prices.

### Recession

A recession requires two consecutive quarters of negative economic growth as measured by the country's gross domestic product (GDP). Because GDP is a backward-looking measure, recessions aren't known until they have begun. Recessions are typically economy-wide and impact all sectors.

Bear market	Total decline	Months to reach bottom	Months to recover to previous high	% gain one year after bear end
Nov 1968 – May 1970	-36%	18	22	44%
Jan 1973 – Oct 1974	-48%	21	70	38%
Nov 1980 – Aug 1982	-27%	21	3	58%
Aug 1987 – Dec 1987	-34%	3	20	21%
July 1990 – Oct 1990	-20%	3	4	29%
Mar 2000 – Jul 2002	-45%	28	58	24%
Dec 2007 – ?	?	?	?	?

Source: Standard & Poor's, Bloomberg, DRI's; Index: S&P 500

## What should I do?

First and foremost, don't panic. We've encountered bears before, and we'll most certainly meet them again.

There are few ways to deal with the impact of a bear market – quite similar to the way you would react if you were to run into a bear in the wild.

### 1. Remain calm. Don't panic or make sudden movements.

Veterans of previous bear markets know that the key to surviving is to act rationally, not emotionally, when making financial decisions.

Switching your investments to conservative portfolios with investment options heavily weighted to cash and bonds means that you will probably miss out on the gains when the sharemarket recovers.

In fact, over the past 20 years, there have been only seven incidences of a conservative option outperforming a growth option of the average super fund. Keep in mind that even small annual differences in returns make a substantial impact on your retirement savings at preservation.

History has shown that markets tend to recover just as quickly as they fall at the beginning of a bear market or correction. By switching your investments after a drop in market value, you're effectively locking in your losses by reducing your exposure to growth when the market recoups.

A look at the best 20 trading days in different markets over the past decade repeatedly shows that a high proportion of these days occur very shortly after the worst 20 trading days.

Therefore it is difficult to be invested during the best days, and also avoid the worst days. Remember, it is impossible to time the market.

### 2. Never run from a bear.

Equity markets in the short-term are affected more by sentiment than they are by fundamentals. Prices are set by two groups – buyers and sellers – and whether they rise or fall is dependent upon whichever group holds more power at a particular time.

The key difference between fundamentals and sentiment is the speed with which they change. Economic fundamentals drive equity valuations in the long-term. Sentiment determines equity valuations in the short-term. Economic fundamentals change gradually, while sentiment can change dramatically very rapidly. This is why timing equity market is so difficult.

It is intuitively appealing to try and outrun the market, but it's like believing you can outrun an angry bear. The reality is more likely to be a mauling.





### 3. Don't just grin and bear it.

Opting not to sell equity holdings in a bear market does not mean that you should be a passive investor. On the contrary, this could be an important time for you to review your portfolio and long-term investment objectives to ensure the two are inline.

A prudent bear market strategy involves taking advantage of depressed prices to create a well-diversified portfolio; one that minimises risk and maximises the potential for returns when the market begins to rise again.

It is often only through the experience of a bear market that investors truly develop an appreciation for the benefits of diversification.

### 4. Prevent bear attacks. Wear protective gear.

When travelling in bear country, be prepared. A sound, well diversified portfolio with a long-term focus will help protect you from bear attacks.

Surviving a bear market requires all your discipline and determination. You must follow through your long-term investment strategy despite market volatility. When the bear is breathing down your neck, the key to survival is staying calm.

### 5. Keep it in perspective. He's not that big and scary.

While being attacked by a bear in the wild is certainly something you could have bragging rights to with your mates, experiencing a bear market shouldn't be such a big event for the long-term investor. By looking at history, you should understand that a bear market – or any correction for that matter – is just a part of the topsy-turvy world of investing.

Twenty percent-plus falls in sharemarkets have been rare in recent years but are not that unusual in a long-term context, as evident in table one.

Unfortunately further falls cannot be ruled out, and as shown, it sometimes takes a while to regain previous highs. Generally, such falls in sharemarkets are usually followed by a strong rally over the subsequent year.

Keep in mind that the markets always recover. Over the medium to long-term, despite the sometimes frequent ups and downs, equity investments always return a positive result.

### 6. Bears can be slow-moving creatures; give him time to move on.

Regardless of a down market's length, it can take longer for a market to recover to previous levels. This is because the market must rise further than it originally fell in order to breakeven.

Recovery takes longer if you don't participate in the whole market swing. Remember, paper losses don't become real until you make the choice to sell. However, if you invest through the market cycle – that is, buying low – returns as markets reclaim their previous levels can boost the recovery of paper losses.

By looking at history, you should understand that a bear market – or any correction for that matter – is just a part of the topsy-turvy world of investing.

### Conclusion

Over the last 50 years there have been numerous examples of sharemarkets falling by 20% or more, but these are in the context of a long-term trend which remains up, with shares providing better long-term returns than most other assets.

As such, investing in shares should be seen as a long-term plan. 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.

# Saving for your children's education

Finding the money to pay the soaring costs of education is a battle for many Australian families. With no relief in sight, it's time for some serious planning.

## Rising cost of education

Raising a child in the new century is more costly than ever. A recent report showed the basic cost of raising two children to the age of 21 now exceeds \$500,000<sup>1</sup>. Add private education fees and the figure soars. Make no mistake, alongside the mortgage, education is becoming a substantial and sobering cost for families.

Choice magazine regards the cost of education as one of the fastest growing life costs in the Australian community, growing at around 6 per cent a year. To put this into perspective, consider that \$1,000 in today's dollars, will be close to \$1,800 in 10 years time.

And it's not just for the growing number of children attending private schools.

## Public education is not free

Contrary to common belief, public education is not free. Increasingly, costs at government schools are being passed on to parents who can expect to pay around \$800 to \$1,200 per child each year on school levies, uniforms, books and excursions. And while the cost of non-government education varies enormously depending on which state and which school, on today's figures, parents can expect to pay between \$5,000 and \$17,000 per child each year at secondary level.

## Planning for future expense

Education is one cost that can be planned for a long time before children even step foot in the playground. Given the long lead times associated with bearing and raising children, the opportunity is there to plan ahead.

A regular investment plan is a good way to prepare for future education costs. It has the benefit of long-term investing and the simple but effective powers of compound interest. A family with a baby due later in the year, for example, might start a regular investment plan using any gifts of money intended for the baby, and then continue to contribute a monthly amount. Over this sort of timeframe, using a cash management trust or managed fund can be better than putting the money into a traditional savings bank account - or the piggybank.

If you've already got children, it's not too late either. The power of compound interest simply warrants getting started as soon as possible.

## Start small, now

There's a misconception that people have to start with a large amount when they're investing money. This is not the case. Even with a small amount, the key is to start now and not put it off, to benefit from long-term investing.

A survey conducted by Newspoll discovered that about half of all parents use their general savings to pay for school fees. Of the other half, around a third use savings from a special education saving account, 28 per cent tap income from specific investments, while 21 per cent take a part-time job to pay the fees and 14 per cent use a personal loan or draw down on their flexible mortgage to meet the cost.

Only 40 per cent of parents are saving for education in advance but almost all admit that their savings fall short, with half of the savers putting aside less than \$100 a month.

So like any long term goal, when saving to pay for your children's education it can be as simple as ensuring you start as early as possible.

<sup>1</sup> AMPNATSEM Income and Wealth Report, 2007

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# Subprime crisis – what's it all about?

Stories about the US subprime crisis are still dominating the news. But what's it all about and why does it impact us?

The literal definition of 'subprime' is 'below optimum'. In other words, it's a catchy label given to a large number of loans which shouldn't have been granted. Under normal circumstances, these customers' poor credit history would have made them blatantly ineligible for a mortgage.

Low interest rates and a booming US property market, however, saw many banks and other lenders in America relax their criteria and approve a slew of subprime mortgages.

Not surprisingly, over time many of these loans proved difficult (if not impossible) to service.

Things reached critical mass mid 2007, when many subprime customers' low interest ('honeymoon') rate periods came to an end. What's more, construction of new houses outpaced housing demand and, as a result, prices began to fall. Many borrowers found that not only were they unable to repay their loans; their houses were now worth less than what they owed the bank.

As large numbers of subprime borrowers defaulted, lenders were forced to sell houses in an already distressed market. As a result, outstanding debts could not always be recovered and several large US banks reported substantial losses.

## But what has this got to do with us in Australia?

The level of exposure to the subprime loan market in Australia is not as significant as in the US. Locally we have stricter criteria and lending practices especially for this type of loan. However, when the large US banks reported losses, this led to a weakness in bank shares across the globe.

What's more, the losses weren't limited to US retail banks. Investment banks had repackaged subprime mortgages and sold them on to investors worldwide. A common way to raise funds for home loans is 'loan securitisation', which is a bundling of a large number of loans to form a new type of investment vehicle.

When loan defaults began in the US, these repackaged mortgages fell in value and investors lost money. Many investors were able to return these subprime-backed securities to the investment banks, causing further damage to the lenders' bottom line.

Listed companies with large revenue exposure to the US and high debt levels saw their share price drop. And as investors got nervous, this further fed share market volatility.

## What's to come?

The impact of the US subprime market crash isn't over just yet. It's generally accepted that the worst subprime loans were the 2006 vintage whose honeymoon rates will end throughout this year.

But while the potential US recession centres on problems in the subprime lending market, it is also impacted by the US' large budget deficit, and slowing economic growth, fuelling fears of a global slowdown.

So what can we expect in the coming months?

The biggest issue facing world markets is the US recession debate. Will the US enter a recession or will they manage to avoid it by, for example, aggressively cutting interest rates? If it does enter a recession, the next question is whether emerging markets can take up the slack in the global economy.

Over the last eight years or so, emerging markets (such as China, India, Russia and Brazil) economies have grown at a more rapid rate than the developed world. Interestingly, most world savings in recent years have come from emerging markets, while developed countries (such as the US) have been running budget deficits.

As a result, many economists are debating that if the US economy does enter a recession, the world may not follow. However, this economic decoupling does not mean a market decoupling. Because of globalisation and the sheer volume of US corporate operations worldwide, a downturn in US share market does affect the rest of the world.

On a positive note, domestic economic fundamentals are considered sound, corporate earnings are still strong and we have the lowest unemployment rate in decades. So, while short-term market volatility is to be anticipated over the next 6 to 12 months, the long-term outlook is positive.

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# Self-employed? Don't leave your business at risk.



What would you do if you became sick or injured and were unable to keep your business running? It's not something that is often thought about, but it's important to take a moment to consider it.

Did you know that 1 in 2 men, and 1 in 3 women, will be diagnosed with cancer before the age of 85<sup>i</sup>? And that Cardio Vascular Disease kills 1 Australian every 10 minutes and prevents 1.4 million people from living a full life because of disability caused by the disease<sup>ii</sup>?

These alarming statistics may make you think twice about covering yourself, and your business, for the unexpected.

If you were unable to work for 12 months, would your business survive? A serious illness is debilitating and may require extended leave to recuperate. You may end up losing your livelihood that you've worked so hard to build. How would you begin to rebuild your business once you recovered? It's something that every business owner should consider.

Are you aware of the total cost of all your business expenses every month? How would you pay for these expenses if something were to happen to you?

Many life insurance companies offer business insurance solutions which are designed specifically for the self-employed or business owner. This type of insurance includes Business Expenses insurance which covers the fixed expenses of a business or practice that still need to be paid, even if the life insured cannot work due to injury or sickness.

Business expenses that you need to consider may include, but are not limited to:

- Accounting and auditing fees.
- Regular advertising costs, postage, printing and stationery.
- Electricity, heating, gas, water, telephone and cleaning costs.
- Security costs.
- Net costs of a locum.
- Rent, property rates and taxes.

If you become disabled, and depending on the type of policy you purchase, the benefit may be paid monthly over a period of 12 months. This period can be extended if at the end of the 12 months the life insured remains totally disabled.

The type of policy you choose and the amount of cover that you need depends on you and your business needs.

Some people think that their income protection insurance is enough to cover themselves and their business. The advantage of combining a business insurance policy with an income protection policy is that as well as receiving an income stream from your income protection policy, your net business expenses will also be paid. It's a small price to pay for peace of mind.

<sup>i</sup> [www.cancer.org.au](http://www.cancer.org.au)

<sup>ii</sup> [www.heartfoundation.org.au](http://www.heartfoundation.org.au)

# Insurance — in or out of super?

## Secure peace of mind for the protection of your family and business.

With the average Australian working longer hours and increasing their debt, stress increases and plays havoc with their health. Recently the media has widely reported on the epidemic of escalating obesity and critical illness. For some of these reasons alone more and more Australians are reviewing their insurance needs and looking for more affordable alternatives to suit their needs.

One of the most cost effective ways for Australians to have the right insurance in place is through a superannuation fund.

## What are the benefits of holding insurance in super?

Some of the benefits include:

- cover may be more affordable for individuals with cash-flow issues
- employees can fund premiums with pre-tax salary contributions while self-employed individuals can fund the premiums with personal contributions for which they can claim a personal tax deduction, effectively saving up to 31.5%
- further tax deduction benefit provided by some superannuation funds for the cost of the premium which can provide a further tax saving of up to 15%
- potential eligibility for government co-contributions scheme up to \$1,500 per annum where the premium is funded with a personal contribution
- some insurers apply automatic acceptance rules so a medical check may or may not be necessary.

Holding insurance through super is a complex area. If you decide to hold insurance inside the super fund, it is important you are aware of any negative impacts. The most appropriate option for you should be discussed with your financial adviser.

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# Green is the new black



Sustainability is the latest buzz word to hit our shores and it seems everywhere we go people are campaigning for a war on global climate change. And, why shouldn't they be? Climate change and global warming are a huge concern because unlike other global crises, it affects everyone.

## What do you know about climate change?

Put simply, climate change is the variation in the Earth's global climate over time. More commonly though, the term climate change is used to describe a rise in the surface temperature of the Earth which we refer to as global warming.

It's thanks to Al Gore's documentary *An Inconvenient Truth* and Tim Flannery's book *The Weather Makers*, that Australians have a newfound awareness of the magnitude of the issue – global warming is a reality and we must do something to address the cause and the impact.

## The facts

Less than a decade ago, climate change was for scientists and environmentalists to debate and we knew very little about it. Today, it's a different story. It appears that the social consciousness of Australia has shifted gear. We've united our stance on social and environmental issues in the hope that together we can make a difference.

If you're not so sure about climate change, here's a list of some of the most daunting realities facing Australia:

- the ten hottest years on record have all occurred since 1990;
- cyclones like Larry and Katrina in the USA are becoming more common and are directly attributed to climate change – they will only become more violent, powerful and frequent;
- drought continues to affect our farming industries, forcing more imports into Australia and increased unemployment in regional centres;
- a rise of even a few degrees will make the ocean too warm for the Great Barrier Reef to survive and increase the areas that malaria-spreading mosquitoes can live; and
- left untreated, catastrophic events such as polar icecaps melting could wipe out entire towns and cities by putting them completely underwater. Imagine Australia without Sydney or the Gold Coast! (Source: ACTNOW.com.au)

## What can we do to make a difference?

Many people have already begun to change their habits around their home, but there's also plenty you can do at work and school. Check out these ideas as a starting point:

- catch public transport, ride a bike or walk, for all or even part of your trip, to and from work/school each day;
- use less power by turning off your appliances at the wall overnight or installing lower wattage light bulbs;
- purchase 'green' products where possible;
- use less water (e.g. have shorter showers or make sure the dishwasher is full before you turn it on);
- remember the 3 R's
  - reduce, reuse and recycle...everything.

## Where can I get more information?

There are endless resources available on the topic of climate change, global warming and the general environment. The following list is a good starting point:

### About climate change

#### The Australian Government – Bureau of Meteorology

– *Climate Change*  
[www.bom.gov.au/climate/change/](http://www.bom.gov.au/climate/change/)

#### Department of the Environment and Water Resources

– *Greenhouse Office*  
[www.greenhouse.gov.au](http://www.greenhouse.gov.au)

### Green resources

#### The Green Pages

– everything you need to be green can be found at [www.greenpagesaustralia.com.au](http://www.greenpagesaustralia.com.au)

This looming crisis is not going to be solved by a few charitable individuals. We all need to play a part.

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# Where is Your Focus?

Do you ever stress, worry or get anxious about the future? When was the last time you thought about what you really wanted? Would you like to stop feeling frustrated and feel more in control?

In life, you get what you focus on. If you focus on what you want, you will get it and if you focus on what you don't want, you will get it too. According to research, we have over 50,000 random thoughts a day. Ask yourself are your thoughts mainly focused on what you want or what you don't want? If you think about what you don't want, you will probably feel worry, stress, anxiety, fear, etc. Remember that anxiety or worry is simply a warning from your mind to remind you to focus on what you do want.

Too many people are so focused on what they don't want and what they want to avoid, that they miss seeing what they can have. How often do you think about worst case scenarios or what could go wrong, then when it happens you say "I knew it was going to happen"? It became a self fulfilling prophesy because it has been proven scientifically that your mind is unable to differentiate between what you vividly image and what is real.

## Taking Back Control

The best way to take back control of what is going on around you is to focus on what is within your control. There are three things that you can personally control – how you think, feel and act (including how you respond to situations and people). If you focus on other people and events or circumstances beyond your control, you may get frustrated. When you focus on what is within your control, you feel happier and more in charge.

Here is a powerful technique to help you to focus on what you want.

1. Think about something in the future that you are unsure or worried about eg. a presentation, a promotion, a family get together, etc.
2. Be clear about your outcome for that event.
3. Imagine a movie screen in front of you and see yourself in the movie like an actor/actress in that future event.
4. As you watch the movie, see that event turn out exactly as you would like it to be, hear the conversations you would like to hear and feel exactly how you would like to feel. Make sure you focus on what is within your control.
5. Notice how you now feel better about that event and now look forward to it.

Highly successful entrepreneurs and athletes use this technique to visualise a successful meeting or game. Research shows those athletes who visualise rehearsing and having a successful game do as well on game day as athletes who have physically rehearsed and practised prior to the game!

Imagine how much better you would feel by focusing on what is within your control and the difference that this would make to your success!

Dr. Vesna Grubacevic is a Performance Transformation Expert™ with Qt. She is an internationally recognised and certified NLP Trainer and holds a PhD and BEc. For more strategies on how to live a happier and more fulfilled life visit [www.qttransformation.com](http://www.qttransformation.com).



# What made me who I am today?



Pick up any great self-help book and within the first couple of chapters you will be asked to explore your beliefs. Our beliefs are the ultimate controlling force which determines the quality of our present lifestyles and shapes our future destinies.

In life we experience defining moments, moments where 'something' happens. Quite simply an event takes place. We then interpret the event and give it meaning. Once we have assigned a meaning we then create a belief.

Let's look at an example:

## Event

A young girl who came from a broken home and who lived in a very poor part of town was asked at school to read a book and to write a review. The book was difficult as it was aimed at children from a higher grade. She approached the challenge with the excitement of her love of reading and couldn't put the book down nor complete the review fast enough. She handed her book review a week before the deadline. Her teacher praised her for her excellent work in front of the class. The headmaster praised her in front of the entire school. The other kids turned on her for making them look bad.

## Meaning

The meanings she gave this event were 'when you work hard, when you do things well, people take notice, people remember and value you. When you love what you are doing the work is easy to do'.

## Beliefs

As a result of the meaning she gave this, she established some beliefs. 'When I do what I love and I do what I have a passion for, life becomes very much easier' and 'if I love it, I can do it'.

## Evidence

Ever since that day in school, Oprah Winfrey has stood by her beliefs and has created an amazing career for herself

from simply knowing that anything is possible if she is doing what she loves. The message here is that we can choose what meaning we give to events and the beliefs we create as a result. Once we create the belief we spend the rest of our lives hunting and gathering evidence to prove the belief. Oprah Winfrey has spent her entire career proving her beliefs over and over again.

*Consider the other meanings she could have selected;-* If your results are really good other people will turn on you. If you work hard you get slammed for it. People in authority ridicule you in front of others.

The first choice we make is whether to give an event meaning or not. The second choice we make is whether to give an event a positive or negative meaning. Just where exactly would Oprah be today if she had chosen one of the other meanings and created associated beliefs?

Think about your memories. Anything you can remember is probably stored in your memory for a reason. What happened? What did you tell yourself? What beliefs did you create as a result? How do you continue to justify and prove that belief every single day?

The sad truth is that there is no actual certain hurt, pain and danger out there. It's just a safety mechanism within us that stops us from having the best that we could have, on the off chance that perhaps, maybe it might possibly not turn out to be a totally smooth ride.

Explore your defining moments and the meanings you have given them. What are you telling yourself? Does your belief propel you forward or immobilize you to the spot? For every limiting belief refuse it permission to hold you back any longer. What has this belief cost you so far? Deny it permission to affect your life. Throw it away and replace it with a positive belief. What belief could you create instead that if you truly believed, if you committed to, could give you the outstanding life you deserve?

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# The Money Quiz!

How good is your knowledge on money, markets and finance?

Take the Money Quiz and find out!

## Novice

1. Which country is the world's largest oil producer?
2. Which ASX-listed owner of child care centres collapsed in November?
3. What is meant by a company's 'market capitalisation'?
4. What is the technical definition of a recession?
5. Which ASX-listed property trust recently opened London's largest shopping mall?

## Player

6. What new name have accountants come up with for a Balance Sheet?
7. How high did the Aussie dollar get to the US dollar before its dramatic fall?
8. Which is the world's largest bank (by market capitalisation)?
9. Fund managers use many different styles to invest funds. What is meant by a 'thematic' style?
10. What is the 'depreciation' charge in a business's income statement?

## Expert

11. Which American Fed President is credited with destroying the 1970s inflation bubble?
12. When analysing a listed company a researcher would calculate the PER. What do these letters stand for?
13. The movement of the 'VIX' is now being more frequently reported in the media. What is the 'VIX'?
14. What are the 5 components of a country's Gross Domestic Product?
15. What is meant by an 'inverted yield curve'?

## Answers on Page 2!





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