

Transport Women Australia Conference

*Are you investing your savings wisely,
and, do you understand the options?*

Simon Harradence

June 2012



Seriously...

Making financial decisions and changing your affairs is important and has extreme consequences – both positive & negative.

This presentation is intended to provide insights of a general nature. There is not enough in this presentation for you to make any specific decisions for your situation. Its essential that before making any decisions regarding the content in this discussion

you consult your financial adviser (or accountant).

Help ...

Who is there to assist?

Accountant

What they do: Personal tax advice + Business advice; they are often the project manager

Financial Planner

What they do: Long-term planning to achieve your financial goals; Superannuation; Investments if assets <\$2m

Investment Adviser

What they do: Specialist investment manager; will manage investments according to your long-term wealth goals and cash flow requirements; best suited for investment strategies of +\$2m.

[Tip: ensure your adviser invests across assets classes ie. Is not just Australian Shares]

Solicitor

What they do: In addition to 'legal' work can be very helpful as a mediator, negotiator, and general adviser for family and business affairs.

Its most important to find someone who is ...

- A. reputable & reliable
- B. that you trust
- C. that is going to prioritise you

Entities ...

How do we hold assets?

In **your own name**

In a **company**

In a **trust**

In your **superannuation fund (can be a public fund eg. TIS or a self-managed fund)**

Each entity is different in regard to its:

- flexibility
- tax rate
- asset protection

Asset Classes ...

Other than our private business, what can we invest in?

Cash

Depositing money with the bank

Eg. Bank accounts; Terms deposits

Purpose: Safety, Income Generation

Fixed Interest

Lending money to the government or to a corporation

Eg. Government Bonds; Corporate Bonds; Hybrid Securities

Purpose: Capital Security, Income Generation

Safe/Defensive Assets

Produce income

Provides capital stability

Shares

Investing money in a corporation as a shareholder

Eg. Australian (listed on the ASX); International Shares

Purpose: Growth; Income Generation

Real Estate

Investing in property

Eg. Direct property, Syndicated Property, Managed trusts
(listed or unlisted)

Purpose: Growth; Income Generation

Growth Assets

Essential for wealth creation (long-term)

More volatile

Has some likelihood of capital loss

Alternate Assets

These are investment that don't fit into any of the above 'classes'

They are generally more complex

Examples include: commodities, hedge funds, private equity

Investing 101

- To build wealth you must SAVE
- Risk & Return go hand in hand
- Allocating toward shares (riskier investments) is like eating. Should only be done in moderation, and only when you can '*afford*' it
- Put simply, to take less risk invest less money in the 'growth' asset classes (shares & real estate), and more in the safer ones (Cash & fixed income)
- Money is made in the long-term – not the short term
- The longer you have to invest the more risk you can take
- Be sensible always

How should you invest?.... DIVERSIFY

NB: A return objective of more than 9% per year is aggressive

1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
26.6 %	29.0 %	18.9 %	57.3 %	10.4 %	60.7 %	5.2 %	26.0 %	20.9 %	41.4 %	32.5 %	16.1 %	22.4 %	16.5 %	11.3 %	18.1 %	40.2 %	38.1 %	34.4 %	23.7 %	19.1 %	60.0 %	5.4 %	14.7 %	11.8 %
23.6 %	26.4 %	16.4 %	35.3 %	10.0 %	37.2 %	- 2.8%	25.0 %	13.7 %	22.8 %	20.1 %	15.9 %	13.1 %	15.9 %	9.3 %	12.2 %	32.4 %	24.0 %	34.0 %	15.2 %	8.4 %	36.8 %	4.9 %	5.1 %	5.7 %
15.3 %	18.5 %	8.0 %	30.2 %	7.0 %	32.6 %	- 6.3%	20.0 %	12.1 %	17.5 %	19.3 %	10.3 %	10.1 %	10.4 %	4.8 %	11.7 %	25.3 %	16.7 %	21.8 %	6.9 %	26.2 %	17.1 %	1.9 %	1.1 %	5.2 %
15.2 %	18.2 %	- 3.1%	26.1 %	4.8 %	30.3 %	- 6.9%	19.3 %	11.6 %	14.4 %	16.6 %	6.4 %	9.0 %	7.8 %	- 5.1%	8.1 %	19.8 %	16.3 %	17.4 %	6.8 %	26.7 %	6.3 %	0.7 %	- 2.1%	5.1 %
12.3 %	18.0 %	- 15.1%	25.8 %	4.8 %	24.3 %	- 7.7%	16.4 %	9.0 %	13.2 %	12.5 %	5.1 %	6.3 %	5.4 %	10.3 %	4.8 %	10.6 %	12.3 %	11.8 %	4.1 %	37.9 %	4.2 %	0.5 %	- 5.3%	3.3 %
9.6 %	14.0 %	- 15.7%	19.7 %	- 1.4%	18.0 %	- 7.9%	16.1 %	7.8 %	9.4 %	10.6 %	- 0.9%	5.9 %	5.3 %	15.1 %	2.6 %	7.5 %	5.8 %	6.0 %	1.8 %	51.0 %	1.6 %	0.2 %	11.0 %	2.3 %
4.1 %	6.5 %	- 22.5%	11.6 %	- 2.1%	5.5 %	- 11.3%	8.5 %	6.1 %	5.8 %	5.2 %	- 3.3%	2.0 %	- 8.8%	- 27.3%	- 0.6%	5.7 %	5.2 %	2.1 %	- 7.1%	52.6 %	- 1.8%	- 1.8%	- 16.0%	2.2 %

Australian Real Estate
Alternate Assets
Balanced Portfolio
Australian Share Market
Cash
Fixed Income
International Shares

Key issues to think about

- Long-term Investing & Financial Planning
... **Case Study 1: the School Teachers who are retired with \$3.5m**
- Estate Planning
... **Case Study 2: the entrepreneur who was too busy to update his will**
- Succession Planning
... **Case Study 3: the daughters who own 35% of their fathers wealth (while he is still alive)**

Key Takeaways

- Find a trusted adviser(s) and lean on them for advice... don't hesitate in driving them to work harder
- Wealth is built long-term
- Tips should be treated with suspicion
- Don't take your advice from the media
- When investing, if it sounds too good to be true – it generally is.
- If you think its too far away to worry about – it isnt!!
- Plan, plan, plan... Think about what you want/need
 - Plan how you're going to achieve your objectives
 - Plan for the next generation

Contact information

Simon Harradence

Associate Director

Tel: 07 3136 4442

Mobile: 0414 922 742

E-mail: simon.harradence@ubs.com

Important: This document has been prepared by UBS Wealth Management Australia Limited ABN 50 005 311937, holder of AFSL 231127, which is a subsidiary of UBS AG (together, "UBS"). This document contains general information and general advice only and does not constitute personal financial product advice. As such, the material does not take into account the personal investment objectives, financial situation, tax position or particular needs of any specific recipient. Prior to any investment decision, we recommend that you seek personal investment advice from your Client Advisor, based on your personal situation and consider the relevant offer document (including the product disclosure statement) before making any investment decision.

No representation or warranty, either express or implied, is provided in relation to the accuracy, completeness or reliability of the information contained herein, nor is it intended to be a complete statement or summary of the securities, markets or developments referred to in the materials. It should not be regarded by recipients as a substitute for the exercise of their own judgement. Any opinions expressed in this material are subject to change without notice and may differ or be contrary to opinions expressed by other business areas or divisions of UBS as a result of using different assumptions and criteria. UBS, its directors, officers and employees' or clients may have or have had interests or long or short positions in the securities or other financial instruments referred to herein and may at any time make purchases and/or sales in them as principal or agent. UBS may act or have acted as market-maker in the securities or other financial instruments discussed in this material. Furthermore, UBS may have or have had a relationship with or may provide or has provided investment banking, capital markets and/or other financial services to the relevant companies. Neither UBS nor any of its affiliates, nor any of UBS' or any of its affiliates, directors, employees or agents accepts any liability for any loss or damage arising out of the use of all or any part of this material.

Options, derivative products and futures are not suitable for all investors, and trading in these instruments is considered risky. Past performance is not necessarily indicative of future results. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related instrument mentioned in this document. Before making an investment decision, you should consider whether the information is appropriate in light of your particular investment needs, objectives and financial circumstances, and seek your own legal, regulatory, tax, financial and accounting advice.

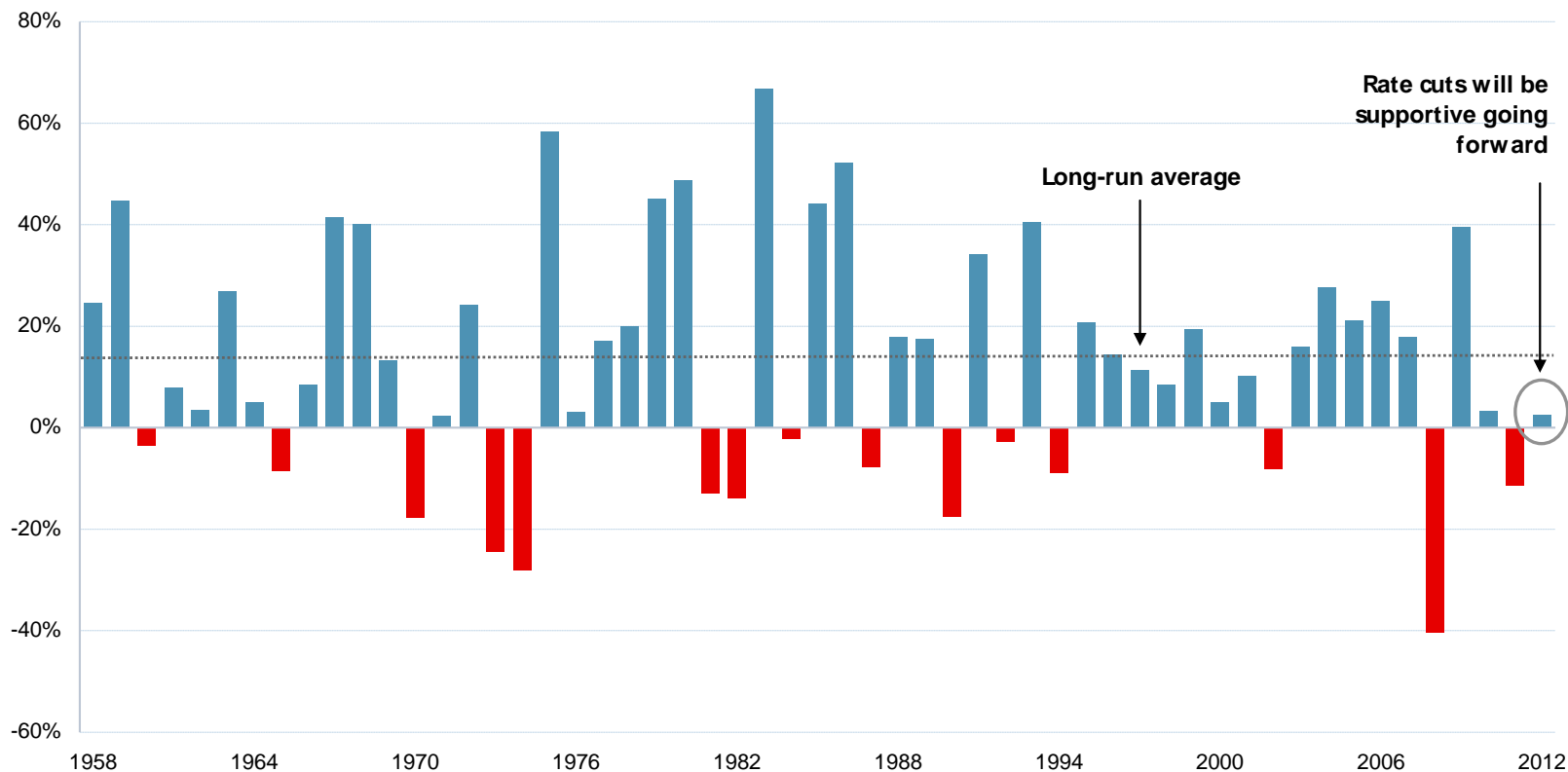
This material is for distribution only under such circumstances as may be permitted by applicable law. To the extent that UBS has sourced any material in this document from a third party, UBS accepts no liability for the accuracy, currency or completeness of that material. All information is correct at the time of publication only and is subject to change without notice. UBS Wealth Management Australia Limited, Registered Office: Level 16, Chifley Tower, 2 Chifley Square, Sydney NSW 2000.

© UBS 2012. All rights reserved. UBS specifically prohibits the redistribution of this material and accepts no liability whatsoever for the actions of third parties in this respect.

Australian equity market performance over the long run

Most of 2012 performance has been wiped in May. The dividend has been a large contributor. Australian equity market averages a negative annual return once every 3.4 years in the past 50 years. Annual expected returns going forward for domestic equities are around 10.0%. This does not include franking. Can you handle negative returns through your lifecycle? If not => diversify ...

All Ordinaries Accumulation Index - Annual Performance

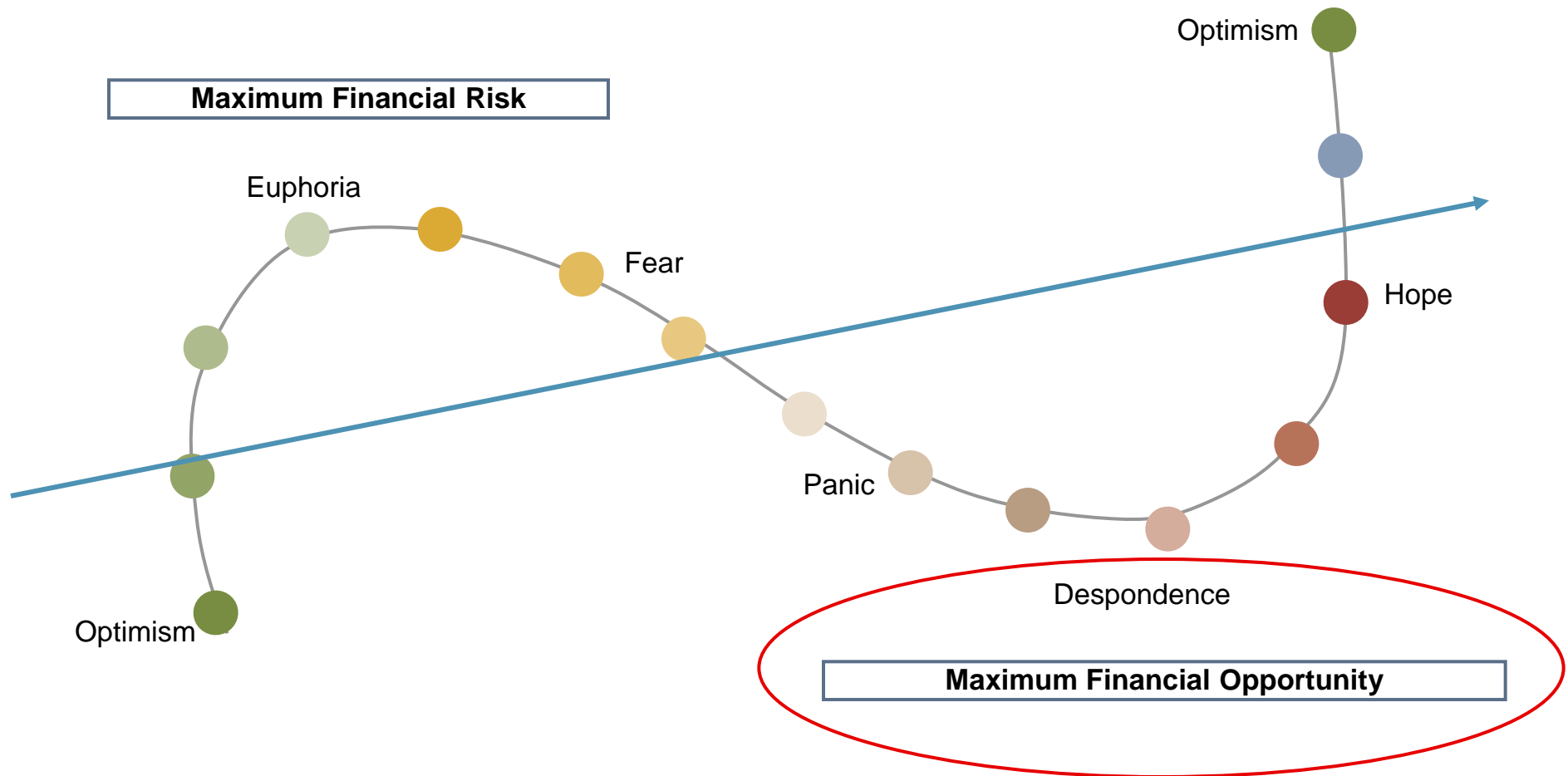


Source: Bloomberg, Datastream, RBA Bulletin, UBSWM Australia

* Accumulation data. 2012 reading is data as of 31 May (YTD%)

Investor remains fatigued. Stay in the game – it never ever pays to panic

Volatility is a normal event. It will be higher (& lower) going forward. Behavioural Finance tells us emotions get in the way of wealth accumulation. All investors have their own particular bias and when challenged they can make sub optimal decisions with regard to their long term goals. Understanding your bias helps...



Source: UBS