

The Wealthy Times



Welcome to the new look TGS Partners Wealth Management "The Wealthy Times". In this edition we will be looking at the latest stock of the month, some economic and market news, a Power Wealth Strategy for consideration and also the hottest monthly lending rate available through TGS Wealth's new loan broking relationship... we hope you enjoy reading it.

TGS Partners Wealth Management

SPECIAL INTEREST ARTICLES: ECONOMIC UPDATE

- Economic update
- TGS Wealth Stocks in Short
- TGS Wealth Strategy – this month, Gearing to Invest
- Latest Mortgage Rate Offer
- Latest Staff member
- TGS Wealth Model Portfolio Monthly results

Well, what a year it has been in terms of the economy both locally and overseas. In the wake of the disastrous US subprime crisis, we have been pushed and pulled from all angles but have managed to show plenty of resilience.

With the curtailing of inflation being the main focus heading into and out of the last election, interest rate rises were overdone. Our strong economic growth has now slowed significantly and the RBA recently decreased official interest rates to 5.25% and flagged further cuts to come.

With still moderate positive growth seen and unemployment at continuing low levels

the Aussie economy is still in reasonable shape.

In saying this, we are not immune to the global situation which is far worse than our own. If it isn't already, the US is within a whisker of a recession and the housing figures haven't picked up yet. Corporate failures are peaking and this has filtered through to some of Australia's big banks with some pain.

Asia's phenomenal growth rates have eased a little and commodity prices have come well off high levels, but the consensus here is that these will rebound again.

Let's hope the bad news is now mostly out there so we can get on with the recovery!

TGS WEALTH STOCKS IN SHORT - BHP

We kick off our 'Stocks in Short' section with a closer look at one of our key portfolio stocks, **BHP Billiton**.

As we have just emerged from the latest reporting season we will focus on their impressive profit figures and their outlook for their future.

In August, they announced an **Australian record \$15.4Bn profit** for the year ending 30 June 2008 which was a 14.7% increase on last year and has mostly been attributed to higher commodity and oil prices in 2007/08. This was a great result in light of the sharp downturn in global markets in the second half of the period and the near recession in the US.

Looking forward, the company forecasts continued solid demand from China and India despite a recent slowdown in extraordinary growth rates. On the back of this, the strong diversification and a great business model we continue to hold this stock as a major component in our Model Share Portfolio.

If the recovery arrives this financial year, as many predict, we should see another strong profit in 2008/09, and if that is the case, then this may be an opportune time to buy!





“...potentially double your capital gains, dividends and franking credits...”

TGS POWER STRATEGY – GEARING TO INVEST

We all know about the simple concept of using your savings to invest, whether it is shares, managed funds or even an investment property.

Further to this, the concept of **borrowing** to invest is probably well known to many people in terms of an investment property. Whether it is drawing off existing equity in a home or using savings as a deposit, this is a common strategy if you are a property investor.

However, if you are interested in the longer term higher returns of direct shares or managed funds, then the strategy of gearing to invest in this investment class is less common yet has several advantages that not everyone is aware of. Firstly, you can potentially double (or more) your capital gains, dividends and franking credits attributable to shares by gearing. If you were to borrow as much as you put in then this could well be the case.

Let's look at a quick example. If you had \$50,000 saved up and wanted to invest it, then you are able to quite easily, depending on the investment, borrow another \$50,000 to total an investment of \$100,000! As the shares/managed funds stay in the borrower's name, the capital gains, dividends and franking credits are all directed to the investor. That is growth and income on the total \$100,000 investment!

Another advantage comes with your tax benefits. The interest paid on the borrowings (\$5,000 a year*) is, in most cases, tax deductible and will no doubt help when it's tax time!!

Gearing to invest does have some risks that need to be considered. If the security value of your portfolio falls below the amount borrowed by a certain percentage, the lender can invoke what is called a margin call. This can often mean a payment or sell down of shares within 24-48 hours. There are several ways to combat these risks including, gearing at a level well below the maximum lending ratio, reinvesting dividends, regular interest payments and holding a well balanced and diversified portfolio that will minimise sharp declines in value.

Also in a falling market losses can also be magnified due to leveraged borrowings and needs to be considered with your Adviser.

If you think the share markets will rise from the current low levels, ask a TGS Partners Wealth Management Adviser about gearing to invest

** Approximate and assumes interest at a rate of 10.0% and interest paid regularly*

LOAN BROKING AFFILIATION: SPECIALIST MORTGAGE

TGS Partners are pleased to announce they have recently been accredited with Specialist Mortgage, a successful loan aggregator based in WA and operating Australia wide.

This affiliation will provide TGS Partners Wealth Management clients with access to a huge range of loan products across all the major banks and specialist lenders at fantastic broking rates.

With interest rates finally on the way down again, there are some great offers available to you.

We are confident we can offer a rate for your lending at a discount to what you are paying.

Don't hesitate to give us a call if you have a home loan or commercial debt you want to fine tune and get working harder. It could mean significantly less interest on your loan and years off your term.

Are you getting the best rate possible?

Why pay the banks when you don't have to?





LATEST STAFF ADDITION – ASHLEY DAVIDSON

Due to expansion of the business we are delighted to welcome **Ashley Davidson** as a Private Client Adviser.

Ashley has been a Relationship Manager at the NAB for the past 6 years and has gained a lot of experience with banking products, financial planning and client services.

He has a Science degree in a former life but has more recently completed a Graduate Diploma of Applied Finance and Investment

with FINSIA (formerly SIA) and has, even more recently also completed a Diploma of Financial Planning.

Ashley is a keen sportsman and is a member of Melbourne High School Old Boys Cricket Club, Surrey Park Lacrosse Club and loves a round of golf!

TGS PARTNERS MODEL PORTFOLIO MONTHLY RESULTS...

YEAR TO JUNE 08

TGS Model Portfolio	-	-2.87%
All Ords	-	-15.50%

YEAR TO DATE END OCT

TGS Model Portfolio	-	-18.34%
All Ords	-	-27.24%

Did your Investments or Super fund get this return last year?
Contact us to find out how you can be better positioned.

Suite 101/12 Cato St
Hawthorn East VIC 3123

PHONE: ☎
03 8932 4090

FAX: 📠
03 9822 7886

E-MAIL: ✉
info@tgswealth.com.au

WEBSITE: 🌐
www.tgswealth.com.au

ABOUT TGS PARTNERS WEALTH MANAGEMENT...

TGS Wealth Financial Planning and Loan Broking is a local company that aims to provide a wide range of specialised financial services including financial planning and investment advice, the most competitive residential and commercial loan broking, accounting and taxation and all your property management needs or advice.

If you are a new client or existing one, do not hesitate to call us with any queries on **9832 4090** or via email at **info@tgswealth.com.au**

Proud members of:

