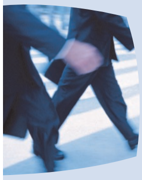


Spring Edition | November 2012

Blueprint Update

PARTNERING WITH YOU IN SECURING YOUR FINANCIAL FUTURE AND ACHIEVING YOUR LIFETIME GOALS.

Happy Holidays

The 2012 holiday season is upon us - wreaths are already out, lights are up on Christmas trees and shopping centres are filled with many shoppers.

Yet, while it's supposed to be the "most wonderful time of the year", for many it's also a season of stress. What gifts will you get for your loved ones? How much will you spend? Are you too busy at work to even contemplate taking any time off? Would you like some help getting through the holiday season?

The first rule of getting through the year end craze without losing your mind, is to concentrate your efforts on the important tasks. What really has to be done? Does a specific project need to be completed this year or would you get more creative work if it slips into January?

Focus on those things that have to get done and then take a deep breath, relax and watch the silly season pass us by as quickly as it came.

Christmas Holidays

The Matrix Norwest team would like to thank you for your support in 2012 and we wish you and your family a very Merry Christmas and a prosperous 2013. We hope that your Christmas season will be filled with festivities among family and friends.

Please note that our office will be closed from Thursday, 20th December 2012 and we will re-open on Monday, 7th January 2013.

In this edition, we will be discussing the following topics:

- 10 Benefits of Budgeting
- Investment Markets
- Re-thinking Term Deposits

Market Update - Global Snapshot

Country	Index	Index 01/11/2012	% Change on 12 months
Australia	ASX200	4457	5.3%
USA	Dow Jones	13232	13.5%
USA-Tech	NASDAQ	3020	15.8%
UK	FTSE100	5861	8.1%
Hong Kong	Hang Seng	21821	10.6%
Japan	Nikkei	8946	1.3%

Source: www.bloomberg.com (1 November 2012)

Matrix Norwest
Financial Planners

10 Benefits of Budgeting

Budgeting is the most basic and the most effective tool for **managing your money**. Yet, most people avoid doing it because it is additional work, much like cutting your lawn or fixing the roof. Budgeting also connotes that you have to give up and stop yourself from enjoying short-term benefits (dinners, alcohol, parties, clothes etc).

What budgeting actually does is clearly show you how you allocate your money and present you the choices on what items to enjoy – based on your financial limitations. It will save you the grief of overspending on non-essential items.

Although budgeting entails more work, it pays off with many **life-enhancing benefits**:

1. Gives you control over your money - A budget is a way of being intentional about the way you spend and save your money. It is said that with budgeting, you control your money and not your money controlling you. Budgeting saves you the stress of suddenly having to adjust to lack of funds because you did not initially plan how to spend them. It also helps you decide if you want to sacrifice short-term spending, like buying coffee everyday, in exchange for a long-term benefit, like a cruise vacation or a new HDTV.

2. Keeps you focused on your money goals – You avoid spending unnecessarily on items and services that do not contribute to attaining your financial goals. If you are working with limited resources, budgeting makes it easier to make ends meet.

3. Makes you aware what is going on with your money – With budgeting, you are clear on what money is coming in, how fast it goes out, and where it is going to. Budgeting saves you from wondering every month where your money went. A budget enables you to know what you can afford, take advantage of buying and investing opportunities, and plan how to lower your debt. It also tells you what is important to you based on how you allocate your funds, how your money is working for you, and how far you are towards reaching your financial goals.

4. Helps you organise your spending and savings – By dividing your money into categories of expenditures and savings, a budget makes you aware which category of expenditure takes which portion of your money. That way, it is easy for you to make adjustments. Budgeting also serves as a reference for organising your bills, receipts, and financial statements. When all of your financial transactions are organised for tax time or creditor questions, you save time and effort.

5. Makes you decide in advance how your money will work for you.

6. Enables you to save for expected and unexpected costs – Budgeting allows you to plan to set aside money for emergency costs.

7. Enables you to communicate with your loved ones about money – If you share your money with your spouse, family, or anyone, a budget can communicate how you use money as a group. This promotes teamwork on working for common financial goals and prevents conflict on how money is used. Creating a budget in tandem with your spouse will avoid conflicts and resolve personal differences on how your money is spent. Budgeting teaches family members spending responsibility and accountability.

8. Provides you with an early warning for potential problems – When you budget and take a "big picture" view, you will see potential money problems in advance, and be able to make adjustments before the problem appears.

9. Helps you determine if you can take debt and how much – Taking debt is not necessarily a bad thing if the debt is necessary or you can afford it. Budgeting shows you how much a debt load you can realistically take without being stressed or if taking the debt load is worth it.

10. Enables you to produce extra money – In budgeting, you get to identify and eliminate unnecessary spending like late fees, penalties and interests. These seemingly small savings can add up over time.

5 Family Goals

Take the time to outline 5 of your major goals for the upcoming 1-5 years (eg family holiday, new car, new home, pay off your mortgage etc). Following this, take the time to prepare a budget and see if you are overspending on areas that are providing you with short-term rewards that may not be fulfilling your longer term family goals.

If you really want this to work, start tracking your spending each month and work towards your longer term goal. Please contact our office if you would like to pursue this strategy in more detail.

Investment Markets

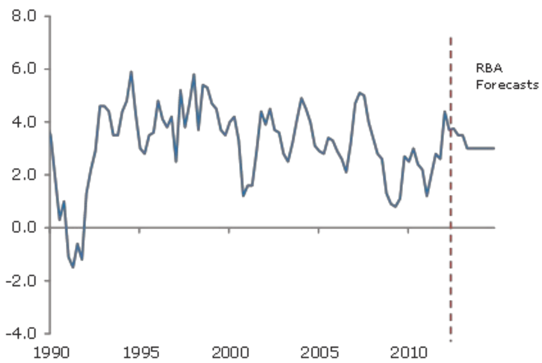
Australia

Australian shares had a good quarter, the S&P/ASX200 Index gained 7.10%.

The Australian economy is in an unusual situation by current international standards. Inflation and the fiscal deficit are well under control and the growth outlook still favourable by comparison with the majority of developed world countries, which is supportive for corporate profits and share valuations. Increased global investor confidence could renew interest in Australia, particularly from income-oriented investors looking for attractive dividend yields in a world where interest rates had moved even lower. The major issue is the combination of a high $A with falling commodity prices. The iron ore price could fall further, severely affecting the profitability of a number of leading resource stocks.

A major headwind for the Australian market is the strong A$ making it difficult for manufacturers, exporters, retailers and tourism. The A$ is being re-rated as a safe haven currency which has underpinned its strength.

The Australian economy is still picked to grow by around 3% in 2013, a good outlook by developed world standards.



International Market

The MSCI world index produced a 5% overall gain in overseas currency terms over the past quarter. This largely carried over into a good $A outcome, as the local currency was only slightly higher in overall value. Almost all the major developed markets shared in the advance with the top billing going to Germany (up 12.50%).

While the global economic outlook still remains fairly reasonable, there are some risks ahead when you factor in southern Europe and the American debt levels.

Europe

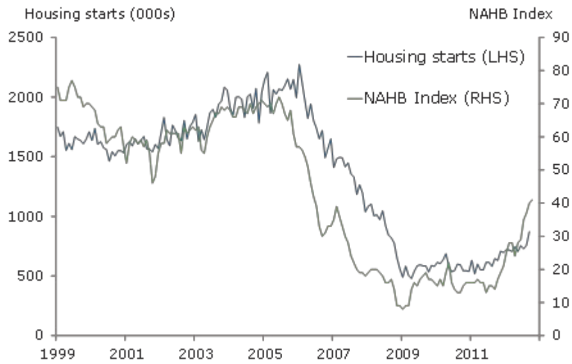
The European Central Bank 's (ECB) action is to provide a support mechanism to the region of a bond purchase program that allows member countries to off load distressed bonds to the ECB. This is seen as a good step forward in seeking to stabilise the financial crisis in Europe. Equities and other risk assets have responded positively to this action.

Uncertainty still remains in Europe as a long period of recession and low growth appear to dominate decision making. The European focus has shifted to the ECB and how Spain's deteriorating financial position is best rectified.

USA

In addition, the US Fed has also provided further stimulus via QE 3 which is aimed at buying mortgage backed securities over an unlimited period.

The US is awash with cheap funds and should be positive for the housing market which is showing good signs of recovery with the housing construction starting to hit a 4-year high (pre-GFC) with flow on affects across the economy.



The underlying US economy continues to produce positive growth although at low levels (in the region of 2%) and a more upbeat corporate and banking sector. US corporates remain the bright spot for the economy, delivering solid earnings. US corporate earnings reporting is currently underway and of 68 companies reported, 42 companies have beaten their guidance forecasts which has provided a boost to sentiment.

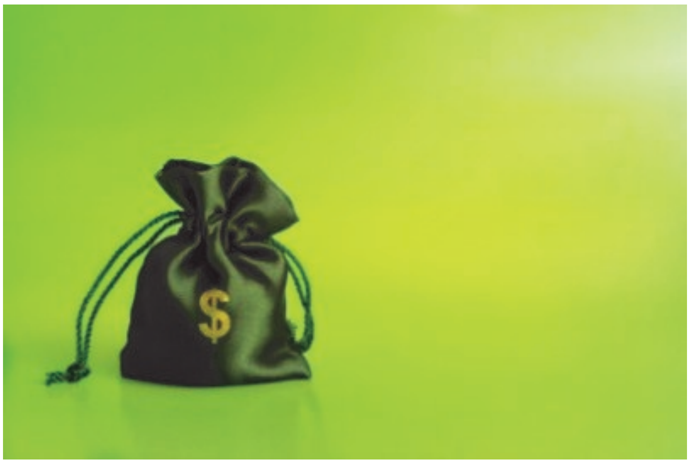
USA: GDP Growth

Post USA Election: Obama remains President

President Obama's victory is likely to ensure that the US Federal Reserve will remain highly active in promoting US growth beyond the expiration of Chairman Bernanke's current term in January 2014.

Source: Shane Oliver Special Edition - 9 November 2012; Morningstar Update 12 October 2012; Economic and Market Commentary October 2012

Time to re-think Term Deposits?



There is much debate about how many rate cuts the Reserve Bank of Australia will make this year.

What is certain is that no-one is envisaging interest rate hikes. The question that investors need to ask is how they can best position their portfolios in an environment where interest rates are flat or, more likely, falling. Is it time to start thinking about other options instead of Term Deposits (TDs)?

Many Australian investors were badly affected during the GFC and its aftermath and moved their money out of managed investments into cash and TDs, perceiving them as safer investments. Those investors who lost money on their investments at this time looked to TDs as a safe way to preserve what was left.

This was a return of capital decision. But with Australians now living longer, they need to know that they will have enough money to last throughout their retirement phase.

This longevity means that investors need to consider the return on their capital, not just the return of their capital. To achieve this, portfolios need to be structured to maximise income, while at the same time, protecting capital.

A lower cash rate is good for people with floating-rate mortgages. However, it is likely to have an adverse effect on savings and TDs, which offer the most attractive returns when interest rates are higher. But with interest rates falling, what will happen when TDs mature and investors need to reinvest the capital?

Reinvestment risk is a major concern with TDs. The banks are likely to start offering less attractive returns as interest rates fall so investors are increasingly unlikely to be able to reinvest at the same higher rates of interest. Although their capital is relatively protected, the income from that capital will reduce. This reinvestment risk is a key reason why 2012/2013 may be less favourable for TDs than the past few years have been.

On the other hand, a fixed income managed fund, which is able to invest in a wide variety of bonds and other securities, may help protect investors' portfolios against the current market forces while still potentially providing better rates of return than TDs.

During periods of financial market turmoil, such as the one that we have been experiencing since 2008, it's also important to consider portfolio diversification to preserve capital. A common misconception about TDs is that they provide good diversification vs. equities.

TDs are often positively correlated with equities as their rate of return also reduces when the sharemarket reduces, providing an overall lower return.

As we all know, investors never like losing their capital, particularly when they are relying on it for retirement. TDs should return their capital, but they don't always provide the best option for investors looking for a steady competitive income.

With continued economic and financial market uncertainty, fixed income can help maintain capital value, while providing a stable income to suit the needs of many investors, especially those in or nearing the retirement phase.

Source: AFA Magazine; Roger Bridges

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