

Life Matters!

Bay Financial Centre
PLAN PROTECT PROSPER



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What is happening in Europe? Should we be concerned?



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Speculation continues to rein over the debt dogging Europe. Greece continues to be an enigma. With further elections due this weekend, the outcome could determine whether Greece stays part of the European Community. The two main political parties seem unable to agree on terms for the European bank bailout need when a major loan needs refinancing in August. Do they bow to further austerity measures being insisted on as a continuation of further loans, risking more civil unrest and deepening unemployment [currently at 25%] or push for further loans and an economic stimulus package designed to grow the economy and get people back into work?

Greece is economically a small country and any devolution from the European community and the Euro is unlikely to have long term effects on the world economic stage outside of Greece.

Should you be concerned? In our opinion, in the short term - Yes; long term - No. Investment markets have largely factored in a Greek default on their loan repayments as a worst case scenario. This means market prices towards the extreme ends of their ranges and whatever happens after the elections is unlikely to have any long term affects on investment returns. Volatility is expected to remain in the short term. We suggest now is the time to ensure you remain well diversified and sitting tight, not for panicking and making short term decisions when you have long term goals

Two Speed Australia?

What is Australia's two speed economy? Much talk in the media over the past 12 months, but what does it mean? The following edited extract comes from the Australian Business Spectator.

"The debate over the Gillard government's agonised and poorly handled decision to stick with its move to allow 1700 foreign workers to work at Gina Rinehart's \$6.5 billion Roy Hill iron ore mine is an omen. It's a sign that we don't yet realise how the mining and LNG booms will profoundly change Australia. In 20 years' time, it's going to be a different place.

Look behind the sub-text of politics, economics and race (Bob Katter's talk about "plum" jobs going to foreigners is evidence that you don't have to scratch deep in Australia) and claims that Rinehart, with her preference for creating special economic zones where companies can bring in temporary workers exempt from workplace laws, is trying to turn this place into another Dubai (yes, she might want that but no government of any persuasion would allow it). The real lesson in this row over enterprise migration agreements is Australia's unwillingness to acknowledge that we are in a period of immense transition.

The last time this happened was in the 80s, when Australia was shifting from a manufacturing-based economy to services. But at least that was happening inside cities and the economy was moving as one. It was a walk in the park compared to this. That was silent, this won't be. The mining boom is no fly-by-night thing. It will change the structure of Australia and we're seeing the first signs of that happening now. There will be more mines and the process will stretch out at least over a decade. Expect to see thousands more special visa workers coming here thanks to enterprise migration agreements.

It's not as if this hasn't happened before. Immigrants worked on the Snowy Mountains Scheme and every mining boom has produced mining camps. But what's different this time is that other industries like retail and manufacturing are in decline and we have a surging resources industry struggling with skills shortages. That makes it different.

The first signs of this change are obvious and have been extensively written about: it's a two speed economy. Every day we read reports of companies closing and laying off workers in the southern and eastern states.

But while the south and east are struggling, the real job growth is happening in the north and west. In Queensland, the Newman Government has approved the \$6.4 billion Alpha Coal Project in Queensland's Galilee Basin owned by Indian conglomerate GVK and Gina Rinehart's Hancock Coal. The mine is expected to generate 3600 jobs in construction and 990 in operation. There is also plenty of work in Western Australia which has enjoyed a 4 per cent growth in jobs compared with 0.2 per cent for the rest of the country. According to the official statistics, we have a national average of 61.9 per cent of people in the workforce – over in the west, it's 66 per cent.

How do we reconcile the job carnage in the south and east with the jobs boom in the north and the west? Some try to make the connection. ACTU secretary Dave Oliver has blamed the high Australian dollar, driven by the mining boom, for the demise of Hastie Group, ignoring the accounting irregularities, slack auditing and dud buying decisions. Meanwhile Qantas is encouraging its 500 sacked workers to relocate with their families to the Pilbara. But that's unlikely to happen, it's just spin.

The reality is that Australians hate to move, particularly to the west. According to the Australian Bureau of Statistics, 7000 people came to Western Australia from the east in the 12 months last September. Not much when you see that the state has attracted up to 48,000 people from overseas. In other words, for every Australian who goes west, there are seven from overseas. Companies in Perth, particularly accounting firms, are now struggling to recruit and retain talent because they can't compete with mining companies offering salaries 50 per cent over what they can pay and forcing up their costs. But they can't seem to get anyone from the east. The Nullarbor Plain is like the Korean demilitarised zone, people just don't cross it. The last time there was a big movement across the Nullarbor was in the 1890s with the gold rush as workers from Victoria and Tasmania flocked to the west. You can be sure that history won't be repeating itself with this mining boom.

Mining companies say that Australians are just reluctant to move to work, it's something deeply ingrained in our psyche. In America, a kid born in Ohio might finish school and head off to a College in Boston or California. It's a rite of passage. In Australia, a kid born in Melbourne, will finish school and go to university in Melbourne. They'll finish, get a job, head off overseas for a few years and then come back home to Melbourne. The ones from regional towns and from places like Adelaide and Hobart are more adventurous. True, in America there are more towns to choose from. In Australia it's just Sydney and Melbourne, it's just the back blocks everywhere else. But when it comes down to it, Australians are deeply provincial, we like our comfort zones.

But that's being challenged now. According to the National Resources Sector Employment Taskforce,

61,500 new jobs will have to be filled by the minerals sector by 2015. It predicts a shortfall of 1700 mining engineers with five years' experience. If Australians are reluctant to move, they will have to come from somewhere. Enter Gina and the growth of the FIFO (fly-in-fly-out phenomenon).

Both are not without their management challenges. FIFO projects have notoriously high attrition rates of as much as 40 per cent and have sub-optimal productivity in handover times from one shift to the next. There are also questions about the impact on families, communities, occupational health and safety issues and accommodation. While Rinehart's workers have to speak English and be employed under normal conditions of workplace law, it is something that will always to be managed. "If the Australian public, for whatever reason, is worried about the arrival of a few boat arrivals, how will they take to a mono-cultural enclave of say 1500 Chinese arriving in the Pilbara or Port Headland," says management consultant Kevin Dwyer who runs the Change Factory. We can also expect to see more questions raised about the nature of enterprise migration agreements, which are not publically available for scrutiny. That might have to change if these arrangements keep generating political heat.

But the big issue really is about public policy. Governments will need to create the infrastructure to accommodate these new arrangements, to encourage people to relocate by building regional airports, schools, hospitals and clinics in these remote parts of the country. That will attract more people.

The Gillard government; racked by division; its leader terrified of offending Paul Howes and the AWU; her tensions with Immigration minister Chris Bowen who is a Rudd supporter; and continuing speculation about her leadership, has failed to take the matter in hand. It remains to be seen whether future governments will be any more effective. All we know is that the mining boom will continue to shape politics, and transform the country".

KiwiSaver

From next month KiwiSaver members who joined five years ago and are aged 65 or older will be entitled to withdraw their KiwiSaver funds. KiwiSaver Fund managers may be writing to you to explain your options. If you are unsure whether you qualify or the best path to take, give us a call and we can take you through the pros and cons and the option that will best suit you.

Did you know?

New Zealanders claimed more than \$84 million dollars in Income Protection between July 2009 and June 2010.

- 1 in 9 men and 1 in 5 women are likely to be disabled and off work for more than 12 months before the age of 65.
- 5 in 10 men and 7 in 10 women are likely to become disabled due to an illness or accident before they turn 65, preventing them from working for at least one month. Of these, nearly a third will still be on claim 12 months after.
- Diseases or illnesses are the most common reasons for disability among adults.
- Accidents or injuries are the cause of disability for an estimated 166,300 adults in NZ and the most common type of accident or injury causing disability is one that occurs at work.

A Capital Guaranteed investment

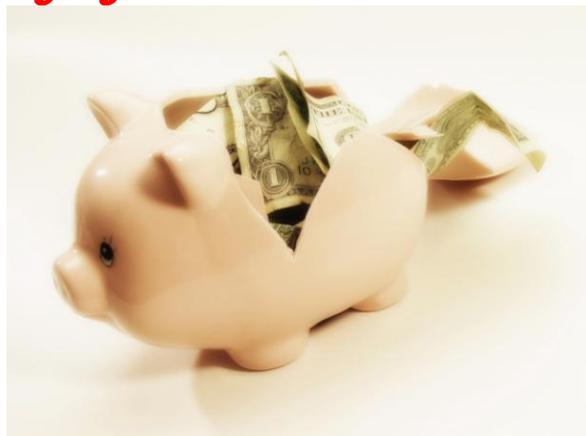
Many will be invested in or be aware of the MAN OMIP range of capital protected funds. These investment funds offer the opportunity to invest in a range of worldwide assets backed by the security of a bank guarantee. [Westpac]

With a relatively low correlation to shares, they offer an alternative to investors who do not require further sharemarket investments or who understand the potential for investing in shares but do not like the risk. Long term performance has been outstanding.

This opportunity closes in **ONE WEEK**.

To find out if they are an appropriate investment for you, give us a call.

Legacy Issues



Kiwis seem to strongly believe that people should be free to leave their money to whomever they want and should not feel obligated to leave their kids a legacy at all.

Many even felt people should not even feel obligated to leave their kids at least the same as their parents had left to them, perhaps reflecting the moves in the past few decades to a user pays world.

Just over a quarter had seen family infighting over bequests and only 3 in 10 people said they had a will.

We asked	Yes / No
Should you leave a legacy to the kids as large as the one you got?	72.5% / 27.5%
Is it okay to spend all your money in your lifetime?	32.4% / 67.6%
Should parents be evenhanded with all their children?	17.1% / 82.9%
Should parents be free to leave their money to whoever they want?	9.2% / 90.8%
Have you seen families fight over wills?	26.2% / 73.8%
Have you got a will?	30.7% / 69.3%*

*Survey sourced from Sunday Star -Times

Only in Britain – Complaints to Councils

Extracts from letters written by Council tenants

- ✚ It's the dogs mess I find hard to swallow
- ✚ I want some repairs done to my cooker as it has backfired and burnt my knob off
- ✚ I wish to complain that my father twisted his ankle very badly when he put his foot in the hole in his back passage
- ✚ Their 18 year old son is continually banging his balls against my fence.

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