EQUITY FINANCIAL SERVICES
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HORIZONS

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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.

In this issue …

When it comes to investing – you can avoid the after-shock!

Following the terrorist attacks in the US on September 11, 2001, HIH's collapse in late 2001, the War on Terrorism, and the subprime mortgage crisis, investors are entitled to wonder if things will ever settle down. Is this life as we know it?

In reality it's hard to say what will become of the future of our global economy. One thing's for certain though: it is possible to mitigate risk by developing a diversified investment strategy that incorporates all aspects of your personal finances and takes the peaks and troughs of investment markets into consideration.

What we can learn from the current climate is that there are no guarantees when it comes to investing. There are investors who can handle financial bungee-jumping and maintain a healthy sleeping pattern, while on the flipside, there are other investors who can't imagine climbing up the investment ladder without the help of an escalator.

What are the different investment types?

There are four main asset classes that should be considered when determining your investment strategy:

- cash;
- fixed interest;
- property; and
- equities (shares).

Each asset class has inherent attributes. The table below highlights the characteristics, risk and return for the various asset classes.

The risk/return trade-off

As you can see, any investment decision will involve risk. However, it's the level of risk that you're prepared to take which will affect your investment strategy. The principle theory of investing states that potential return rises with an increase in risk. While the two are not perfectly correlated, there is

Asset class	Characteristics	Risk	Return
Cash Includes bank deposits, cheque accounts and cash management trusts.	Lowest level of risk and lowest level of return of all asset classes. Suitable for investors who have a short-term investment outlook or low tolerance to risk. As the investment provides interest only, the investment value may not keep up with inflation.	Low	Low
Fixed interest Generally includes income-producing assets (Government bonds, fixed term deposits, mortgage trusts) although the capital value can rise or fall in certain circumstances.	Fixed interest is more volatile than cash but still a relatively stable asset class. You receive your initial investment amount back at the end of the set term. Investments often don't keep pace with inflation as only a predetermined, fixed amount of interest is paid on the initial investment.	Low/ Moderate	Moderate
Property Includes residential, industrial and commercial.	Property investments have a higher risk than fixed interest but less than equities (shares). Can provide tax-advantaged income from rent received and grow in value.	Moderate/ High	Moderate/ High
Equities (Shares) Involves the purchase of a stake or financial interest in a company, enabling you to share in the profits and future growth of that company.	Equities are the most volatile asset class but over long periods of time, have achieved on average the highest returns. Investment sectors include Australian equities and international equities.	High	High

Green is the new black (continued)

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 http://www.bom.gov.au/climate/change/

Department of the Environment and Water Resources – Greenhouse Office http://www.greenhouse.gov.au/index.html

Green resources

The Green Pages

Everything you need to be green can be found at http://www.greenpagesaustralia.com.au/index.asp

Investing is all about making your money work harder for you. The market will always experience peaks and troughs but you shouldn't worry too much if you have a diversified portfolio and your investment horizon is a minimum of five years

much to be learnt by observing the difference in investment styles.

Take cash for example. It has the lowest level of risk and also produces the lowest potential return. The investment itself provides interest only and this may not always keep up with the rate of inflation. Therefore, investing in cash is for the risk-averse investor, or someone who has a short-term investment outlook.

Conversely, investing in equities is the most volatile of any asset class. Over long periods of time however, equities have statistically proven to produce the highest returns. Depending on market conditions, and usually after consulting a financial adviser, an investor who chooses to place their money in Australian or international equities whereby thus obtaining a stake in a company, should enable them to share in the profits and future growth of that entity.

What can you do to ensure a higher chance of investment success?

One of the fundamentals of investing is diversification – that is spreading your money in, as well as across, various asset classes and sectors. 'Diversification' is a technique that helps to reduce your investment portfolio's exposure to risk and aids in producing more consistent returns over the long term.

By diversifying an investment, an investor's stake in Australian equities may experience a short-term decline while their property investment experiences a rise. Of course, this is completely dependent on the market's situation, but the point here is to diversify your portfolio amongst investments that are unrelated.

Where do you start?

Never underestimate how important it is that you seek professional advice. A qualified financial adviser will be able to assist you in ascertaining your current financial situation, attitude to risk and investment time frames in order to create an investment strategy that's tailored to your needs. Once you've agreed to this strategy, your financial adviser can develop a plan to help you meet your investment goals. They can then implement the investment plan and place your money into investments on your behalf.

Of course, over time your financial situation could change. For example, you may receive a pay rise or an unexpected financial windfall. Other external factors may also impact the effectiveness of your investment strategy, such as significant changes to interest rates and the economy. That's why you should regularly review your financial plan – at least once a year. By regularly reviewing your plan with your financial adviser, you can ensure you remain focused on achieving your financial goals both now and in the future.

Start making your money work for you and contact Equity Financial Services today.

Protecting what's most important

You might already have insurance to protect your home, car or valuable possessions from damage or theft, but if you become seriously ill or injured those assets could still be lost if you are unable to work.

It's estimated that less than 10 percent of Australians have insurance against loss of their income, yet it's often considered to be the most important type of insurance cover needed for income earners.[1]

A lack of income protection cover is a real issue. In 2005-06, the Australian Bureau of Statistics reported 43% of people suffering a work-related injury did not receive any financial assistance for time off work.[2] Those who become ill or injured away from work cannot even access workers compensation, making their financial situation even more precarious.

Income protection insurance

Income protection insurance can help support you financially if you suffer an illness or injury that prevents you from undertaking your normal employment. It provides you with an income based on your usual earnings, so that you can continue to support yourself and your family financially.

Income protection is important for all working Australians but is considered to be an essential type of insurance for those under age 50, who are generally more reliant on their salary than someone who has been able to build up assets over the course of their working life.

> For most of us, our income from paid employment is one of the most important factors in determining our quality of life. If you were unable to work due to injury or illness, would you be able to keep up with your financial commitments and protect the assets you've worked hard to accumulate?

Income protection can ensure you are paid up to 75% of your normal salary if you are disabled and unable to work. A good policy should also;

- pay for rehabilitation programs,
- provide cover if you are overseas, and
- supplement your income if you are only able to return to work in a reduced capacity.

Should you be injured or too ill to work, income protection insurance can provide you with pre-determined, regular payments based on your income. It's different to health insurance which covers medical expenses, but does not compensate you for time spent recuperating at home. Unlike other forms of insurance, you can access income protection benefits when you most need them, not only upon your death. Put simply, it's 'insurance for living'.

Why you need it

You should consider this type of insurance if the loss of your salary or wage would cause you or your family significant distress, and you couldn't get by on government benefits alone. For example, if you are paying a mortgage, or your partner is reliant on your salary, income protection could be an important consideration for you.

One way you may be able to access income protection cover is through your superannuation (super) fund. Income protection (or 'salary continuance cover' as it is often called) offered by super funds is usually cheaper than purchasing an individual policy as the super fund trustee/s normally arrange cover at concessional (group) premium rates. You also have the convenience of having the premiums deducted from your super account automatically, eliminating the need to make arrangements to pay your premiums separately.

It can be difficult to find an insurance policy that covers everything you might need at a reasonable price. Your financial adviser can offer expert advice and take the time to gain a full understanding of your situation to ensure they recommend the most appropriate policy to match your needs and budget.

[1]MoneyManagement.com.au article, refer: http://www.moneymanagement.com.au/Articles/A-matter-of-life-and-death_0c037a25.html

[2]ABS, refer: http://www.ausstats.abs.gov.au/ausstats/subscriber.nsf/0/4C1F7A19EF4AEEA9CA2572490018107D/$File/63240_2005-06.pdf