

Quarterly Newsletter

Issue 15
March 2008

Director's Fore

Welcome back to another year and we sincerely hope that 2008 will be a safe and successful year for you and your family.

Lakeside Legal and Lakeside Consultants have some ambitious plans for the year and hope to keep you in the loop with regards to them.

A major project for us in the next 12 months will be to ensure that our Charity Life product becomes an Australian success.

After 2 years in the making and having been on the market for only 2 months, through this product our clients have already pledged more than 2 million dollars to a charity.

Charities like Royal Children's, Reach, Salvation Army and Oxfam are all excited about the opportunity we have presented them with. If you can help us in any way with the promotion of this initiative we would be most grateful.

To say the investment markets have been a bit up and down is an understatement.

2008 has certainly started with a shake. In 14 days of trading we have seen quality stocks fall by more than 20% - that's a crash!!

The good news is that the markets have recovered a little - but certainly not fully. Companies like BHP were trading at \$47 and fell to \$31, and then rebounded to \$40.

The Banking sector has also been hit heavily - with many stocks falling again by 20% or more - NAB fell from \$44 to \$31 and CBA from \$62 to \$48.

NEWSFLASH:

INSURANCE

Who gets your life cover if you die? - page 2
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FINANCIAL PLANNING

Australian Share Market Report - page 4.

FINANCE

Interest Rates - page 5.

LEGAL

The Risk of Acting As a Company Director - page 6.

NEW Insurance PRODUCT LAUNCHED

CharityLife 

Continual improvement in the way we deliver our services to you is extremely important to us - so if you do have any feedback or comments we would be delighted to hear them.

Best wishes again for 2008.

Ross Hennig
Managing Director

Looking for a new challenge or career?

Lakeside Consultants currently has employment opportunities for enthusiastic, self motivated people looking for a rewarding future in the financial services industry. If this sounds appealing please forward your résumé to gary@lakesideconsultants.com.au

Currently we have a vacancy for:

- Financial Planner
(minimum 3 years advising experience)
- Mortgage Administration Assistant

Nomination of Beneficiaries - Inside and Outside Super

Buying insurance through a Super fund is generally more tax effective and hence cheaper than buying it in your own name. Recent legislation change has seen many more clients use Super as their preferred method of ownership. It is important to discuss your circumstances with your advisor to ensure you are holding your policy in the most cost effective way.

Whichever way you decide to go, it is important that the individual(s) intended to receive the benefit actually do receive it. This is where Lakeside endeavours to ensure appropriate beneficiary nominations are in place at all times. The process is different, depending on whether insurance is taken out via Super or not.

Let's look at the two processes:

Nomination of beneficiaries through Super

The proceeds of Life and TPD policies held through a Superannuation fund are paid to the Super Fund trustee, being the policy owner. This is then payable to you in the event of Total and Permanent Disability, or your Estate or dependants (spouse, child, financial or inter-dependant) in the event of your death.

Upon death, policy proceeds may be directed to beneficiaries via:

Binding nomination - allows you to choose who you wish to receive the benefit (must be renewed each 3 years), OR

Trustee discretion - the Trustee chooses whether to pay the dependant(s) (and in what quantities), or the Estate.

Trustee discretion may not offer you enough certainty for the distribution of your benefits. This may also have unintended tax consequences if paid to non-dependants (ie. adult children).

Nomination of beneficiaries outside Super

In the case of ordinary (non-Super) Life policies, the proceeds are typically payable to the policy owner.

Proceeds may be directed to beneficiaries via:

- Policy ownership, or
- Nomination (binding on the life company).

Proceeds are usually paid tax-free (some cases are taxable) but there are still issues with getting payment to the right person(s). If no beneficiary is nominated and death benefits are paid to your Estate, the benefits could then be used to pay debts, be distributed to unintended beneficiaries and result in payment delays.



The nomination of beneficiaries under Superannuation is restricted by definitions in legislation but a nominated beneficiary of an ordinary life insurance policy can be any individual or entity. That is, the nominated beneficiary need not be restricted to dependants based on relationships or financial and inter-dependency situations. In addition, the nomination remains valid and binding until it is changed.

Call Charity Life today – 1800 869 888.
Or visit www.charitylife.com.au.

Since its launch in December 2007 (and the mention in our last newsletter), Charity Life has received a fantastic response.

To date, with applications in progress, we have been able to pledge more than **\$2,000,000 to our partner charities** – but we need more!

As well as providing a donation of between **\$25,000 and \$100,000** to a nominated charity **at no expense to the life insured or their beneficiaries**, Charity Life has a second unique aspect that sets it apart from other life insurance policies. It's a point that has left our clients saying, *'I understand the need for life insurance, so why wouldn't I have a Charity Life policy?'*

In line with the advice that Lakeside Consultants provides, Charity Life offers **guaranteed fixed level premiums**.

Life insurance provides the peace of mind that your loved ones will be financially protected in the event of your death. Charity Life means that you can protect your family AND make a positive impact on the lives of those less fortunate, at no extra cost.

Call Charity Life today for a free comparison to your current cover and see what a difference you can make. Also, we would be grateful if you could mention us to some one you know who could benefit from the security of a Charity Life policy and help spread the word about a product that helps families and charities at the same time.



Alzheimer's Australia
Living with dementia



Australian Advisory Board on
Autism Spectrum Disorders
formerly the Autism Council of Australia

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What has been happening?

In early November the Australian share market reached a new high. The S&P/ASX All Ordinaries share price index reached 6853 points, 27% higher than it was a year earlier. Since then the market has fallen and has seen a run of consecutive days of negative returns not seen since 1982.



What is driving this?

The US sub-prime issue is continuing to impact financial markets and is considered by various market commentators to be one of the drivers for the current market volatility. Many of the large US investment banks have reported lower profit results due to their exposure to sub-prime loans. Many of these loans have moved into default, meaning that lending institutions have begun to lose money. This has led to increased nervousness by investors and increased share market volatility.

Although the problems were not home grown, Australian companies are not immune to the worldwide credit crunch. The share market has punished companies that have experienced problems refinancing debt.

The listed property sector

Since July of 2007 returns in the listed property sector have been poor as valuation and concerns over the level of debt in the sector affected returns.

Traditionally trusts in the listed property sector have a larger amount of debt than the companies in the broader share market. Some listed property trusts also own US properties. This made investors nervous and the sector was sold off in response.

In the short run, investor sentiment has the potential to drive returns lower, based on higher borrowing costs and exposure to the US by many listed property trusts. Supporting the sector include a number of factors such as a strong Australian economy, low unemployment and rising wages translating into strong retail sales, (continuing growth in retail sales leads to rental growth), a strong office sector of the property market assisted by good business investment which is expected to remain into 2008.

Where to from here for the broader Australian share market?

The credit problems need to be worked through in time as investors become willing to lend again and take on risk and financial markets revert to normal operating conditions.

So far, the Australian economy has to date been well positioned. Indeed, the Australian economy is growing strongly, and the Reserve Bank lifted official interest rates in November to encourage us to 'cool our heels'. Australia's economic growth is based on a number of factors. These same factors should contribute towards the share market in 2008:

- We are in a resources boom. China is liberalising and urbanising. India is also not far behind and the Australian economy is well positioned to take advantage of this.
- Australia has an independent Reserve Bank that can help manage inflation and interest rates.
- Australian governments have accepted that their spending and taxing needs to be kept roughly in balance over time which has resulted in a budget surplus unlike the US which continually runs a budget deficit.

To date, outlook reports received from company annual general meetings have been generally positive with a few comments on increased costs and the impact of the higher Australian dollar.

Despite this the market has been volatile due to the negative sentiment being exhibited by investors.

It is extremely important to remember that investing in shares, including via managed funds or your superannuation fund, is a long-term investment and has a minimum suggested investment timeframe of 5-7 years. There will be volatility from time to time however this does not change the long-term nature of these investments. It is timely to remind you that one of the biggest mistakes made by investors is to sell their investment after it has already significantly depreciated especially without receiving professional advice.

Our current clients will have experienced growth and we look to continue this growth by adding new investments to our portfolios. If you are not a client of Lakeside Consultants Financial Planning Department and would like to review your current investments, please contact the Financial Planning Team to make an appointment.

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Recent interest rate increases are creating growing concern for property owners. Over the past year the RBA has increased cash rates by 0.75% to try and combat inflationary pressures in the market place, and this has had an obvious flow-on effect to Australia's lending rates. Conversely, the American market has been heading downwards, with interest rates decreasing 5 times over the past year (recent months have seen interest rate cuts of 0.25% - 0.75% in quick succession).

Clearly America is worried about sliding into recession and is doing everything in its power to avoid it. At this point in time we feel there is every chance that this won't be enough.



WHAT DOES THIS MEAN FOR YOU

If your cash flow is currently fairly tight then we would suggest it would be a good strategy to fix part of your lending, so as to avoid being forced in to a worst-case position where you may have to sell your home. For first home buyers you need to be aware of your ability to make loan repayments, and not jump into the market unknowingly.

If interest rates do rise consistently over the next 1 - 2 years, this could have the impact of some people losing their houses, and others not entering the market for fear of the same, or lack of cash flow to afford such purchases or investments. This should then lead to a property market downside correction, especially given the market in the last 5 years has increased so much.

IT'S NOT ALL BAD NEWS

Those who have thought about the above and have their lending structure correctly set up will be able to take advantage of what will surely become good investment opportunities – both in the property and equity markets.

Make sure you have your lending in sound order and have one of our specialists check it for you.

Phone us today—9510 0788

MARKET WATCH

Interest Rates as at 25th February, 2008

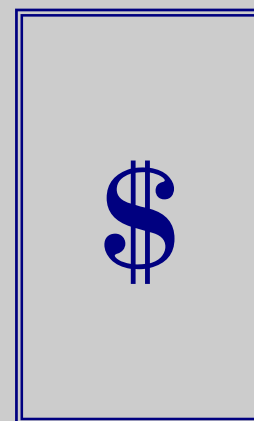
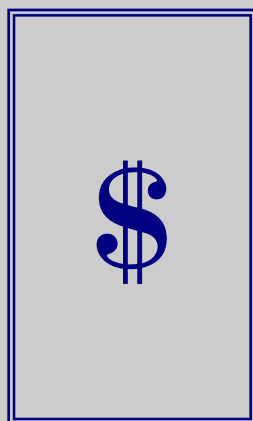
Basic Variable loan 8.22% - loans over \$50,000
(Comparison rate 8.22%)

Professional Package Standard Variable Rate 8.27%
(Loans over \$250,000)

Professional Package 3 Year Fixed Rate 8.39%
(Loans over \$150,000)

Professional Package 5 Year Fixed Rate 8.34%
(Loans over \$150,000)

(Comparison Rates do not apply to Professional Package loans)



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Identifying the Risks

A major drawback faced by directors and senior executives of trading companies is the level of risk associated with their endeavours. This risk can be minimised by exercising a high degree of care and common sense in the execution of their duties, strong risk management and a thorough understanding of the business systems and procedures of the company. These acts can go a considerable way in reducing the risk and in satisfying the legal and moral duty of care that directors and executives owe to their shareholders and to third parties with whom the company has dealings. Holding appropriate public liability, professional indemnity and Director's Insurance can also further reduce the risk. Obtaining an Indemnity in written form by way of a Director's Indemnity Agreement from the company should also be considered, if the company is prepared to enter into such an Agreement, and would provide clarity on the company's obligation to you in regard to this important issue. Generally, in respect to risk management, Directors of Corporations should:

- know about the most significant risks facing the company.
- Publish a clear risk management policy.
- Ensure that there are appropriate levels of awareness throughout the company.
- Know how the corporation will manage a crisis.
- Be assured the risk management process is working effectively (usually by way of regular "exception" reporting to the Board of Directors).

The law imposes duties upon the directors and officers of companies **for which they are personally liable for adherence**. Some of these duties include:

- to exercise a reasonable degree of care and due diligence in the conduct of their duties and use of the power of their position;
- not to make improper use of information or their position to gain advantage for themselves, or to disadvantage shareholders or the company;
- to act honestly in all of their dealings;
- to prevent the company from trading and continuing to incur liabilities whilst insolvent.

Director's & Officers Insurance

A corporation can provide insurance to directors and executives of the company however it is not able to insure directors & officers against claims which arise from a duty owed to the corporation itself. Even where a director or executive has acted at all times in an honest manner and with appropriate diligence in the performance of his or her duties, an allegation can be made which must be defended in court. Anybody involved in the direction and management of an organisation may have duties and obligations which arise from the creation of a legal relationship including the following statutes:

- Corporations Law;
- Superannuation legislation;
- Trade Practices Act and Fair Trading Acts;
- Equal Employment Opportunity and Anti-Discrimination legislation;
- Occupational Health and Safety legislation;
- Income Tax Assessment Act;
- Dangerous Goods legislation;
- Environmental legislation;
- Workers Compensation legislation ; and
- Customs and Excise legislation.

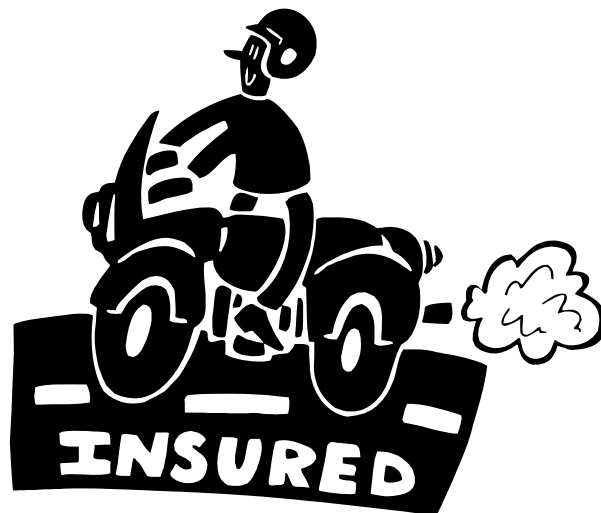


Continued - More discussion on the risks of acting as a company director on the next page.....

In summary, under Australian Corporations Law, the organisation is legally able to indemnify its directors and officers, **other than** in respect of claims which:

- are made by the company or a related body corporate against a director (i.e. the company cannot indemnify the director for obligations that he or she owes to the organisation or other board members) ie company can only indemnify in respect to third party dealings;
- involve a lack of good faith on the part of a director;
- arise when the company is insolvent and therefore has no available resources to fulfill its indemnities;
- arise and the composition of the board or its relationship with a director or executive (or former director or executive) changes to the extent that it is no longer sympathetic and could refuse or inhibit indemnification (this would be difficult if a Director's Indemnity Agreement was in place);
- an action is brought by ASIC or a liquidator acting on behalf of the company (again the company cannot indemnify claims for obligations that the director owes to the company);
- the articles & memorandum of association are insufficient to allow indemnification of all relevant exposures, or are subsequently changed;
- further changes to the corporations law are made which effect the ability of the company to provide indemnity.

It has become standard practice to indemnify directors to the maximum extent permitted by the law. It is also possible to enter into a formal Indemnity Agreement with the company to ensure you are indemnified as far as possible.



As you can see there are still some actions for which Directors cannot be insured nor indemnified and, although the probability of you being involved in an uninsurable or unindemnifiable act in your role as Director, if this were to occur, your personal assets would be at risk so it may be sensible to consider implementing an asset protection strategy. As part of this process Directors will need to assess the risks they face in commercial terms and weigh up the costs to set up the strategy, payment of tax arising from the implementation of the strategy and the expenses involved in transferring asset ownership which would be incurred when implementing the strategy against the benefits (including peace of mind) which may flow from restructuring the ownership of their assets.

If you would like any more information, please contact Lakeside Consultants on (03) 9510 0788, or email info@lakesideconsultants.com.au.



LAKESIDE CONSULTANTS PTY LTD

INSURANCE & FINANCIAL CONSULTANTS

(Authorised Representatives of Guardianfp Ltd trading as Guardian Financial Planning)

IMPORTANT INFORMATION:

UPDATE — Lakeside Consultants Email Policy

Dear Clients,

Australia's new SPAM act came into effect on 10th April 2004 regulating the sending of email, SMS and other electronic messages of a commercial nature with Australian Internet links.

The SPAM Act regulates commercial electronic messages by providing that, subject to limited exceptions, they must not be sent without prior consent of the recipient. (That consent may be express or implied 'reasonably inferred' from the conduct, business and other relationships of the person or organisation concerned); must contain a functional unsubscribe facility; and must accurately identify the sender of the message.

PLEASE NOTE: LAKESIDE CONSULTANTS PTY LTD does not send any unsolicited email. We respect your privacy and only use your email address to contact you about products or services that are of interest and value to you.

You are currently listed on our mailing list as a willing recipient. *If you wish to stop receiving information from LAKESIDE CONSULTANTS PTY LTD, please use the link in the footer below to "Unsubscribe" (remove your name) from this service.* If you do not reply to this message, your email address will remain active on our mailing list, and this will be taken as implied consent to receive email.

All future emails from LAKESIDE CONSULTANTS PTY LTD will include a functional unsubscribe facility, including email, phone, and fax to allow the communication of your wish to cease receiving correspondence from us. Any request to be removed from our mail list will be acted on within 24 hours of receipt of that advice.

Kind regards,
Ross Hennig
Managing Director
LAKESIDE CONSULTANTS PTY LTD
ph: 9510 0788
fax: 9510 0799

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