2nd Quarter

InvestinginKnowledge

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FALLOUT FROM GREECE

Just as it seemed that the world was emerging from the Great Financial Crisis (GFC), along comes Greece and the downgrading of its Sovereign debt and the necessity for European nations to bail out the stricken economy.

Members of the Eurozone and the International Monetary Fund (IMF) agreed to a 110bn-euro three year rescue package to help rescue Greece's beleaguered economy. In return, Greece has to make some vital cuts which Prime Minister George Papandreou said involved "great sacrifices", which are in relation to public spending, tax hikes and cutting pensions.

The aim for the Prime Minister is to cut Greece's public deficit to less than 3% of GDP by 2014 - it currently stands at 13.6.

The biggest protests to these cuts have been seen in Greece, which has brought the country to a standstill on occasion. However, major strikes have been making the headlines elsewhere too. In Spain, the austerity drive included a 5% cut in public sector pay and salaries will be frozen for 2011. The Irish government has presented three austerity packages in just over a year and Italy aims to cut public sector pay and freeze new recruitment.

Fox News in the US reported on the human impact, noting that as Greeks are facing a hike in the retirement age and a cut in payments, 150,000 are quitting their jobs early to try to lock in their current benefits.

Thousands of young people are now considering leaving the country, feeling that "brain and talent drain" is one of the largest threats facing Greece at the moment.

The Greek government hopes that the reforms will help the country emerge from this crisis in a stronger position; and the rest of Europe and nervous market-watchers in the US and around the world are also hoping the Greeks will come through this in better shape too. It's probably fair to say that the reverberations from the Greece crisis will be felt in most countries around the world in some form.

As a little silver lining, Greece has just promised to pay for any extra costs of visitors that are stranded in the country, in an attempt to help boost the tourism industry. This is to help tourists who have been held up because of strikes and the Culture and Tourism Minister Pavlos Geroulanos said "we are guaranteeing to pay any extra room and board any visitor in Greece pays even if stuck here because of a volcano in Iceland," in announcing an internet drive to advertise Greece as a tourist destination.

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Goals + Guidance = Growth

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It is hard to believe that we are already over half way through 2010 and the evenings will start drawing out again.

On the back page we introduce our investment philosophy and if the concept gets you thinking or raises some questions then do come in and talk to us.

Inside

Tourism accounts for more than 15 per cent of GDP and one in five jobs. Industry experts say bookings dropped about 10-12 per cent this year, after riots left three dead last month in Athens when a protest turned violent. Tourist arrivals had suffered earlier when the Icelandic volcano's ash clouds created air-transport chaos. Geroulanos said the tourism industry seems to be recovering and although it was too early to make accurate forecasts, "the numbers are not really as gloomy as they were."

Where does all this leave us?

The BBC in the UK provides a good summary of what this means for other countries: "As well as Greece, banks and credit rating agencies having been going through their books looking for other bad risks.

Portugal and Spain are reckoned to be two that could face problems next. The EU hopes that its bailout will reassure the money markets that their cash is safe however, that depends on Greece getting control of the situation and proving it can make the cuts needed. The UK does not use the Euro currency, but could still be affected. Its budget deficit is also large, and they could start to appear unattractive to lenders. UK banks also hold some of the debt of countries such as Greece, Spain, and Portugal. If they were to go bankrupt, it would mean more problems for Britain's banks".

The financial crisis in Greece has already expanded across regional Europe and is potentially on the verge of creeping across the globe. Some countries may benefit from capital coming out of the Eurozone whereas others will not. All countries will be remaining vigilant.

From an investor perspective, natural instinct is to "run to the hills", stop investing altogether or to keep money in cash.

However, if you have a planned investment strategy for the longer term and this includes a highly diversified and low cost portfolio that invests in thousands of securities across the whole world, then you will be cushioned somewhat, compared to having a concentrated portfolio in one particular type of security or geographical area. Although markets are often volatile over short term periods, over the longer term this volatility evens out and provides disciplined investors with positive long term returns.

It's never too late to review your investment objectives, check out where your current portfolio is invested, what risks and returns are involved, what costs are associated with it and clarify if you have the right approach for your needs.

Remaining disciplined when markets are volatile, is difficult. However, you should not let your emotions cloud your judgment. Staying focused on the longer term, understanding your portfolio and having confidence in it's ability to ride out the storms, will mean that you can take a healthy interest in what's happening in world markets but not be swayed by media 'noise' or irrational emotional responses.

Talk to us if you have queries regarding the impact this has had on your portfolio or if you'd like to discuss your investment options.

1 July 2010 will see The Taxation (International taxation, life insurance and remedial matters) Bill come into effect. There have been many articles in recent months warning that the cost of buying life insurance could increase by 25% after 1 July. This may be an over-reaction as the cost increase will vary from life insurer to life insurer plus there will be some relief for those with existing life cover.

It is always wise to review your insurance cover on a regular basis and the pending cost increases might be a prudent time.

If you have existing policies and would like us to review the appropriateness of the cover to your current situation then do contact us.

If you have no cover in place then we would be pleased to advise you on the best means to protect the needs of your loved ones if you died or suffered an illness or disability which left you unable to work for a long period.

We recommend you talk to us about your life insurance needs. It is important to ensure you have the appropriate type and quantity of life insurance.

life's tip # 1

HAPPINESS

"Happiness is not in the mere possession of money;
it lies in the joy of
achievement, in the thrill of creative effort."
Franklin D Roosevelt

Summing up

- Is Greece the slippery slope, or a lubrication for fast profits?
- Insurance changes demand you review your needs now

THE GOVERNMENT HAS INTRODUCED SWEEPING REFORMS THAT ARE SPEARHEADED BY THE FINANCIAL ADVISER ACT AND THE FINANCIAL SERVICE PROVIDERS ACT

FINANCIAL ADVICE
INDUSTRY
IS CHANGING

The Financial Advice industry is undergoing the most dramatic change in its relatively short history. The Government has introduced sweeping reforms that are spearheaded by the Financial Adviser Act and the Financial Service Providers Act. These two Acts come into force on 1 July 2011 but the changes will be evident well in advance.

How will the changes impact upon you the client:

- A Code of Professional Conduct will be implemented. A key component of this is that an authorised financial adviser (AFA) must put the client's interest first. Advisers will only be able to provide advice in their areas of proven competence.
- All AFAs must have a recognised and approved qualification or else must hold the National Certificate in Financial Services (Financial Advice) (Level 5)
- Any person or company that provides financial advice must be registered with the Companies Office by December 2010. This will be a public register and will enable people seeking financial advice to search the website to ensure their prospective adviser is actually registered.
- Advisers who are selling category 1 products (predominantly investments) and\or provide a financial planning service will need to be an AFA and be authorised with the Securities Commission. The costs of operating under the new regime will be significantly greater than at present so a number of advisers may choose to operate under a Qualifying Financial Entity (QFE). A QFE will normally be a large organisation that must be responsible for the regulatory behaviour of the advisers within it. It is conceivable that QFEs will limit the range of solutions it permits its advisers to provide.
- All advice will need to be in writing. This may increase the cost of doing business.
- All advice needs to be based on detailed information gathering. This will help improve the understanding an adviser has of the client's circumstances but once again, it may increase the cost of doing business.
- There will be full disclosure of adviser remuneration and the provision of a Disclosure Statement will be mandatory.
- All AFAs must belong to a Disputes Resolution Scheme

The purpose of the Financial Advisers Act is to "promote the sound and efficient delivery of financial advice and to encourage public confidence in the professionalism and integrity of financial advisers". We fully support the introduction of the new legislation and the Code of Professional Conduct. The industry is working to develop a new and improved client advice proposition, greater transparency and heightened compliance standards. All of this will help to protect the consumer but it may result in a cost increase when accessing some financial advisers in months to come.

We will keep you informed as we progress towards fully implementing the new regulatory requirements into our business. At G3, we are Certified Financial Planners and Chartered Life Underwriters with over 100 years of experience between us. Our business already incorporates most of what is required under this new legislation so we welcome these changes and hope that the bar continues to be raised for professional, quality advice.

life's tip # 2

MONEY TALK

"The rule is not to talk about money with people who have much more or much less than you.""

Katherine Whitehorn

Summing up

- Government regulation of the advice industry is well overdue
- Reforms protect you and include a number of new safeguards

OUR INVESTMENT PHILOSOPHY IS BASED AROUND ONE CENTRAL PRINCIPLE………

NO MANAGER OR BROKER CAN CONSISTENTLY BEAT THE MARKET, OVER TIME

Research which has survived the rigorous analysis of the academic community for over 40 years show that, over the long term, no investment manager can consistently pick 'hot stocks' or predict market movements. We believe that with all the proven advancements in financial economics, it is unacceptable to still be investing client money based on human emotion. The investment approach that we use therefore removes that emotion and professional clairvoyance from the investment selection process, utilising true asset-class diversification, based on science, to enhance returns and minimise risk.

So why and how is 'science' integrated into money management?

Investment markets have been studied for a very long time. There is no need to try and second guess market behavior when a wealth of information is available. Properly researched investment techniques are well established, measurable, observable and repeatable.

Throughout history, investment markets have rewarded investors for providing them with money. Fundamental to all of this is the principle of risk and return. Structuring a strategy around the known risk factors gives purpose to an investment portfolio.

You may try to spread risk within a portfolio by using a number of managed funds. Unfortunately often you find that instead of diversifying, all you have managed to do is concentrate the investment. You may find a stock being sold by one of your fund managers has been bought by the other, simply incurring you unnecessary transaction costs for no gain!

The investment strategy we are able to provide to investors is broadly diversified over 39 different countries and around 5,000 stocks – compared to the average active fund manager who holds 50 companies at a time. The portfolio is designed to represent the entire global market, as closely as possible.

For the majority of us, choosing and managing our wealth is a complex and confusing subject. Wealth is defined in many ways and the definition of wealth is as individual as you are.

Whatever your goals and aspirations are, our aim is to help you achieve them with more certainty, less risk and greater control.

Call us now for a free, no obligation chat.

Goals + Guidance = Growth

life's tip # 3

ADVERSITY

"Kites rise highest against the wind – not with it."
Winston Churchill

Next Step

See us about the best investment options for you