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INTEREST RATES, EQUITY MARKETS AND THE ECONOMY

The Reserve Bank of Australia (RBA) kept the Official Cash Rate at 7.25% following their July 2008 meeting.

Without placing too much emphasis on the US, their economy seems to be under extreme pressure. The ominous expectation that inflation is starting to take its toll may have been evidenced by production cost indicators which have increased substantially, even though consumer prices remained flat over the same period in the region. An increase in production expenditure per unit, from an economic perspective, may lead to an increase in consumer costs, as vendors elect to pass price rises to purchasers in order to maintain profit margins.

In response, US markets have fallen equity significantly due to a barrage of disappointing statistical data. For example, unemployment surged to above 5.5% over the past few quarters, while consumer and business confidence levels are at their lowest for several years. This confirms that the US consumer may cool their spending habits indefinitely. This will have a material impact as consumer spending has been holding up their economy, underpinning product demand and business profits.

QUOTE OF THE MONTH

"I am always doing things I can't do, that's how I get to do them."

- Pablo Picasso

Market Statistics

Rate / Index / Com	26-Jun-08	19-Jun-08	Change	26-May-08	Change
Official Cash Rate	7.25%	7.25%	• 0.00%	7.25%	• 0.00%
Federal Funds Rate	2.00%	2.00%	• 0.00%	2.00%	• 0.00%
ASX 200	5,307.0	5,366.6	▼ -59.60	5,707.0	▼ -400.00
Dow Jones	11,453	12,063	▼ -609.67	12,480	▼ -1026.21
5 Year Bond Rate	6.635%	6.700%	▼ -0.065%	6.525%	▲ 0.110%
30 Day Bank Bill Rate	7.625%	7.635%	▼ -0.010%	7.465%	▲ 0.160%
90 Day Bank Bill Rate	7.780%	7.775%	▲ 0.005%	7.690%	▲ 0.090%
\$AUD (US cents)	95.92	94.64	▲ 1.28	96.15	▼ -0.23
Gold (Ounce)	909.5	903.00	▲ 6.50	927.50	▼ -18.00
OPEC Baset Rate	130.77	129.44	▲ 1.33	126.57	▲ 4.20

Sources: www.rba.gov.au, au.finance.yahoo.com, www.opec.com; Note: Some figures have been rounded

If the US economy fails to recover quickly, the global economy could remain stagnant for a long period of time. However, to do this, they must overcome liquidity issues in their credit markets, a housing slump as well as rising inflation and unemployment. A significant challenge.

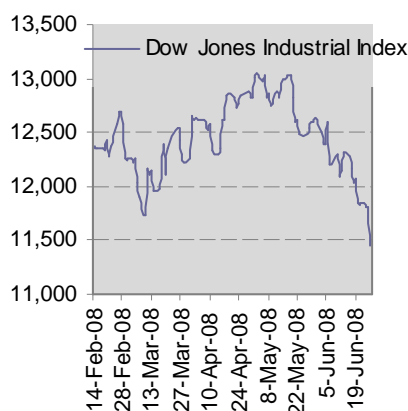
Inflation is also impacting Australia's economy. Inflationary fears and businesses' shrinking profit expectations due to high input costs, have wiped billions of dollars from the value of our local share market. Similarly, retail expenditure in Australia has also dipped dramatically according to the RBA, where year-ended retail sales have dropped by

8% in December 2007 and 4.75% in April 2008.

But the positive news is that Australia is a net resource exporter, and is likely to benefit somewhat from the increase in the price of raw materials. This should keep employment relatively low and maintain a healthy base level of retail expenditure as money from resources flows through our economy.

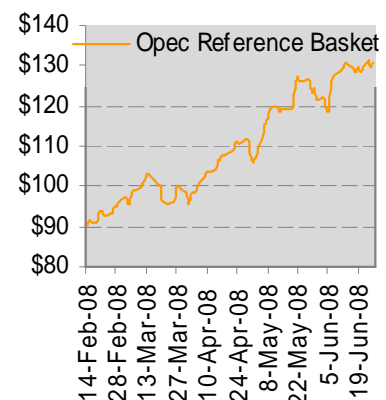
Interest rates, according to several experts, are likely to remain on hold for some time in Australia, with one major financier pointing towards a decrease toward the latter stages of 2009. But the most important body when it comes to monetary policy is

Dow Jones Industrial Index



Dow Jones Industrial Index: US equities have suffered after staging an impressive rally in March and April.

OPEC Basket Rate



OPEC Basket Rate: The high price of oil has resulted in higher production costs to be felt by manufacturers.

the RBA, who bases their decision largely on inflationary measures such as quarterly Consumer Price Index (CPI). It should be noted that they have stated a bias toward the upside due to rising input costs, such as oil, which has recently topped \$140 per barrel.

It is hard to forecast the direction of share prices, inflationary levels and interest rates, but there seems to be consensus that elevated lending rates are here to stay due to higher inflationary levels.

ESTATE PLANNING

With the start of a new financial year, now is a good time to consider whether your estate planning affairs are in order.

You do not want to die intestate or with a Will that is out of date and does not represent your current wishes, and in addition you do not wish to allow for a situation of family dispute or feud.

We set out below some basic information around this subject.

Intestacy

If you die without a Will you are said to have died intestate, and as such, your affairs will be dealt with according to a formula contained in the relevant States Administration and Probate Act. These rules apply to everyone and do not take account of your individual circumstances or what you may want.

Reviewing Your Will

A Will prepared some years ago may not be appropriate for one's current personal, business and financial circumstances. The revision of a Will is often overlooked even though a person's circumstances have significantly changed. Generally, your new Will replaces your old Will.

Revocation

In most States, a Will is immediately revoked upon the marriage or divorce of the Will maker unless made in contemplation of that divorce or marriage.

Family Trusts

Assets held in trusts do not form part of your estate and are not dealt with by your Will. The crucial issue is to identify who is to control the trust when you die. There are a number of

ways in which the terms of your Will can deal with the issue of control.

Social Security or Pension Benefits

If you leave all of your assets to your spouse, this may affect pension or social security benefits that your spouse is receiving at the time of your death.

Financial Circumstances of a Beneficiary

If any of your intended beneficiaries are bankrupt or are on the verge of bankruptcy, the Trustee in bankruptcy may take their share to pay out that beneficiary's creditors. Rather than exclude them from benefiting under your Will, a trust may be considered to quarantine assets from creditors.

Business Arrangements

If you carry on your business with other persons, it is vital to have business succession arrangements in place, of which a Will may form a part.

Superannuation or Life Insurance

Superannuation and Life Insurance proceeds do not automatically become part of your estate - you may specify on such policies who the beneficiaries will be. Alternatively you may not nominate, or nominate yourself, and have the benefits paid to your estate and dealt with under the provisions of your Will.

Guardians

If you have children under 18 years, you may nominate someone to look after your children should neither parent survive (Guardian(s)). Guardians are responsible for the upbringing of minor beneficiaries, such as school arrangements, while the Executor(s) are responsible for management of funds bequeathed to them).

Taxation

The way your assets are bequeathed may have taxation consequences, about which you should consult your accountant.

Testamentary Trusts

There are significant taxation and asset protection advantages in relation to creating these Trusts within your Will. This is a complex area and you should contact us to discuss in more detail.



Order your estate planning needs on line at www.mcpgroup.com.au.

Powers of Attorney

During your lifetime you may become incapacitated and require financial decisions and/or medical decisions to be made by family where you are not able to do so.

The appropriate documents to grant power to others in these situations are Enduring Financial and Enduring Medical Powers of Attorney.

Creation of these Powers should form part of any complete estate planning process.

THIRD PARTY MORTGAGE COMMISSIONS CUT

The ANZ has joined the other major and second tier banks in announcing significant reductions (up to 40%) in broking commissions. Many experts are predicting that the numbers of participants in the mortgage broking industry could fall by as much as 40% as the impact of income cuts and regulation make their impact through the coming years.

MCP remains a committed participant in the mortgage broking industry and has a substantial level of existing loans under management. The reduction in income will make a material impact, but we are aiming for these changes to have no material impact on the service that we provide our customers and referral partners alike. We are fortunate in times like these to have nearly 15 years of trading history, and a range of other services, including commercial legal and commercial finance broking to complement the existing involvement in the mortgage industry.

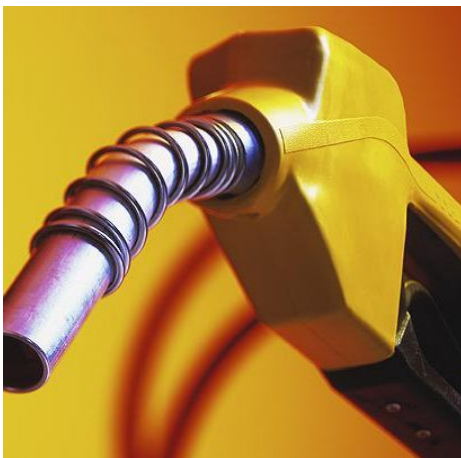
For anyone seeking to review their mortgage, or get a copy of our Finance Toolkit, please contact Brigette McDonald, Adam Routledge or Adam Maciejewski at our office.

LIQUIDITY AND THE BANKING INDUSTRY

For those individuals and businesses already struggling with rising wage and transport costs, increased interest rates have become a significant issue. To compound the impact, the cost of funding for most institutions means that banks have been increasing rates at greater levels than increases to the Reserve Bank's Official Cash Rate.

To put this into context the differential or "spread" between the official cash rate and the market traded bank bill rates is currently between 60 (0.6%) and 90 (0.9%) basis points for 90 and 180 days respectively. Historically, this spread sits around 10-20 basis points and this extra margin is an example of the funding issues faced by banks at present.

With the market in this state, banks are aggressively seeking deposits as they represent a cheaper source of funding. Financiers with a high level of deposit taking relative to borrowing (greater than a 50% ratio is very good) have been best placed to ride out the current pressures. On the other hand, institutions that are heavily reliant on other funding models such as securitization, have had significant difficulty in remaining viable with many institutions leaving the industry altogether.



Petrol prices: Higher fuel costs have placed pressure on families and businesses alike.

THE BENEFITS OF LOAN PRE-APPROVALS

Pre-approval is where a financier provides a conditional finance offer to purchase a property before you commit to a contract. It provides peace of mind and ensures that you are able to financially facilitate the purchase. The support that the financier will provide funds can be a time saving and highly rewarding initiative, as it will also enable a qualified banking professional to provide advice in relation to the level of repayments for the loan sought. In addition, advice pertaining to the financial process and products may also be outlined during the pre-approval process.

Does obtaining pre-approval mean I will receive formal approval?

It should be noted that a pre-approval does not equate to formal approval until two matters are resolved - these being the provision of a signed and dated Contract of Sale and a property valuation. Once the bank reviews the Contract of Sale and are content with a property's value and type (there are loan to value ratio caps of selected niche dwellings such as inner city apartments) they offer an unconditional approval and issue mortgage documents within days.

What documents do I need to provide for a pre-approval?

Documents required for a pre-approval are identical to a standard mortgage. For example, to gain pre-approval you will be required to supply income documentation, proof of identification, a signed application form and other ancillary paperwork as required. For example, some financiers may request evidence of genuine savings (i.e. at least 5% of the property's price accumulated over six months).

Advantages

- **No obligations:** A pre-approval does not mean that you are obliged to go through with the finance. In addition, pre-approvals are normally provided free of charge by MCP Finance.
- **Stronger negotiating power:** Having pre-approval leverages

your bargaining power when purchasing a property. From a vendor's perspective, there is less risk that finance may 'fall through', which could enhance your chances of securing your desired property.

- **Speed of Approval:** Approval is generally quicker if you obtain pre-approval, as you do not have to source documentation, and your application does not have to go through the assessment process (to the same scrutiny) again.
- **Budgeting / Advisory Benefits:** Obtaining a pre-approval generally means that you consult with a financial professional, and are provided with the facts and guides in terms of the finance and purchasing process.

Conclusion

A pre-approval has many advantages and may save you time shopping for a loan, as well as provide you with added negotiating power during the buying process.

MCP can assist with all finance needs in this area, along with related conveyancing and legal support.

Please contact Erin Lawlor for further information.

SUPER DEED UPDATES

Now is a good time to update your Super Deed to ensure it is in line with current legislative requirements.

We can undertake individual updates or bulk orders from our Accounting Partners looking to update all of their clients' Deeds at the one time.

HAPPY NEW YEAR

Please call us if you would like to discuss. All of us at MCP would like to take this opportunity to wish everyone a Happy New Financial Year.