

## Welcome

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As 2009 draws to a close and we reflect to be known as, in Australia, at least, as on the past twelve months, we can honestly say that it was a year in which we experienced the best and the worst of what the world of investment has to offer.

We can also say (now that it would appear the worst is over) that those who didn't fall into the trap of panic selling fared much better than those who weren't prepared to "tough it out". Anyone who "cashed out" in the last twelve months would be sitting on a capital base of anywhere up to two-thirds of what they would have if they had stayed fully invested. Ultimately, it is a case of, if the strategy was correct in the first place, there is no need for wholesale changes. We are



pleased that, almost without exception, our clients "stayed the course" and reaped the resultant benefits and, while we are not yet back at "par", it would appear that we are headed for that destination in the not-too-distant future.

So, as the first decade of the third millennium draws to a close, it is opportune to reflect on the events that marked the era, as well as formulate some ideas on what may lie ahead.

Without question, the two most dramatic events of the decade were the September 11 terrorist attacks in 2001 and the 2007-9 financial market meltdown that has come

the Global Financial Crisis, or GFC, for short. (Editor's Note: It has also been referred to in certain circles as the KFC, as in "Kevin's Financial Crisis"!)

These two events, but particularly the latter, have caused substantial impact on the financial well-being of all of us and have caused people to re-think their financial plans, as a result. That said, in spite of the magnitude of the impact of these events on financial markets, the long-term return from investing in shares continues to justify the volatility that is an inevitable consequence of such investments. Recent analysis, once again, substantiates this view. Please refer to the article on page 2 for further details.

Those of you who have previously enjoyed our hospitality at our movie nights will be eager for news of the next event. Arrangements are now confirmed for Thursday 11th February, 2010. As usual, this is an opportunity for you to bring a friend or two to meet the Paramount "family". See back page for full details.

We hope to see you there if not before. All that remains is to wish you & yours a very Merry Christmas & a prosperous New Year!

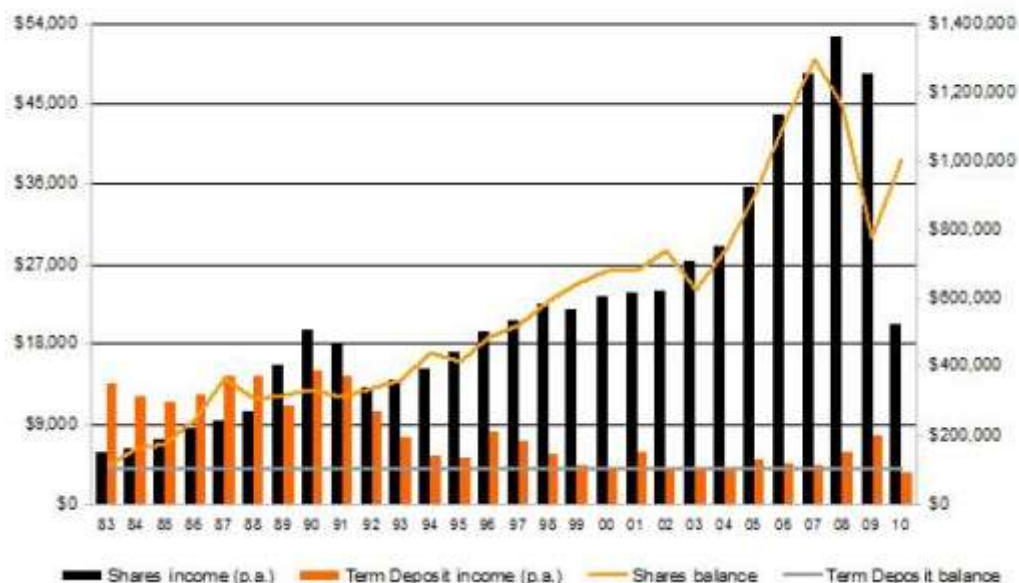
**The Team at Paramount.**

## Shares STILL the place to have your money.

The unprecedented magnitude of the fall in share prices experienced throughout 2008 and into this year has served to undermine the confidence of many investors in exposure to equities. Nevertheless, an analysis of the performance of the Australian share market, as measured by the ASX 200, from March 1982 to this year, clearly demonstrates the reward for exposure to the volatility of share market investments when compared to their traditional alternatives of cash (via term deposits) and residential real estate, as measured by house price and rental income information obtained from the Australian Bureau of Statistics. We are grateful to our good friend, Tony Negline for this research.

The first graph compares \$100,000 invested in March 1982 into rolling 12 month term deposits with the ASX 200 broad market.

ASX 200 - All Ords vs One Year Term Deposits - March '82 - Oct '09

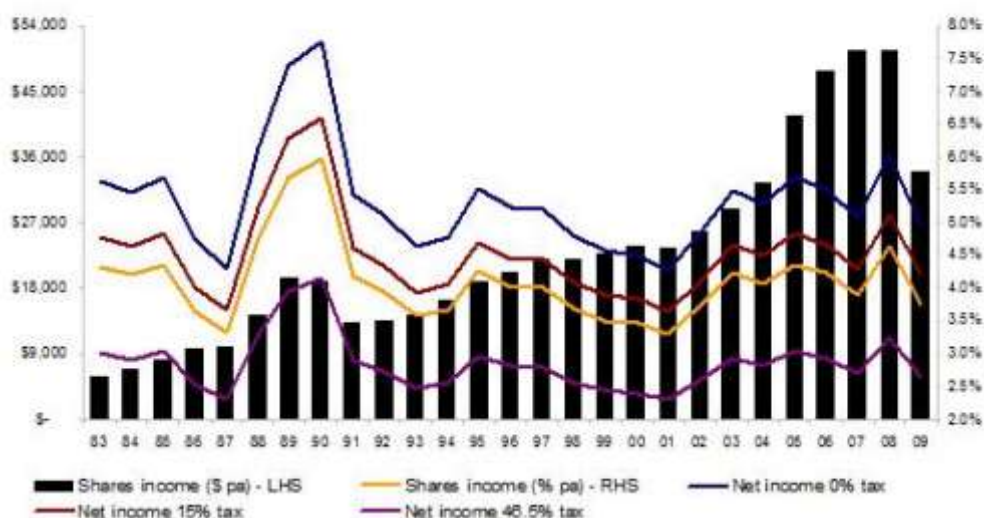


The graph shows the capital value of each investment (lines) and the income from each (bars). The data takes up to the end of October 2009. Points to note from these graphs are as follows:

1. The low level of income in term deposits.
2. The much higher level of income out of the broad share market.

The second graph shows dividend income paid from shares since March 1982. This graph however is based on December year ends. (The 2009 data is incomplete and only up to the end of October 2009.)

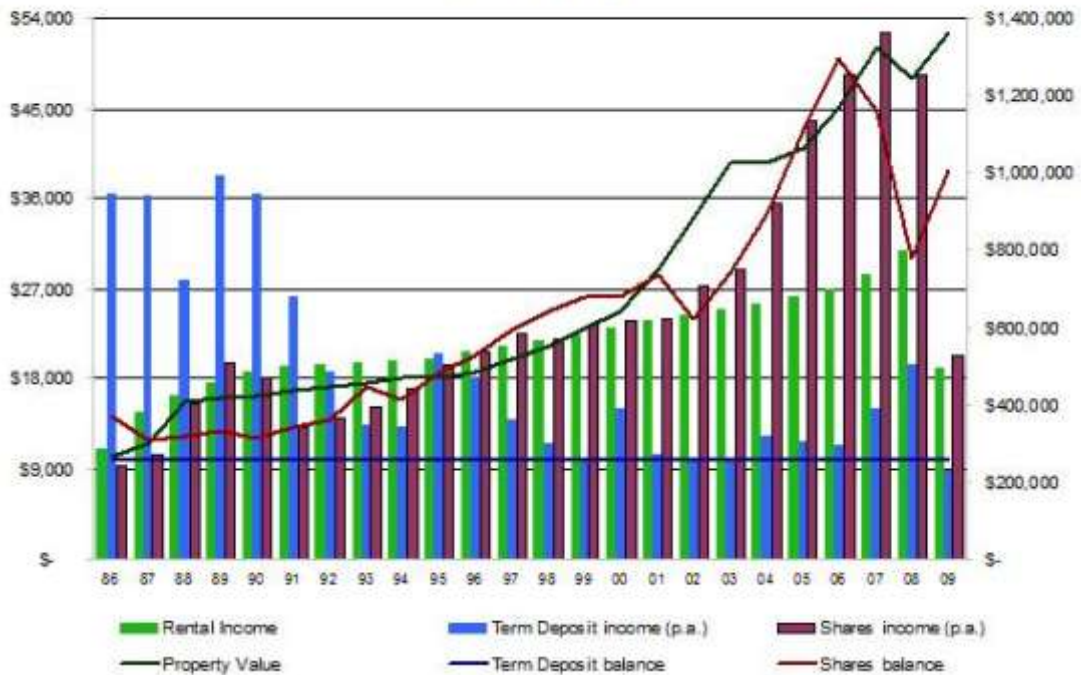
S&P ASX 200 - All Ords - Dividend income  
\$100,000 invested March '82 - Dec Year End



Clearly, shares pay a reasonable return in income. Three tax rates are shown (0%, 15% and 46.5%) and all assume that the dividends received are 75% franked.

The final graph compares \$255,378 and compares \$255,378 invested in the ASX 200 with rolling 12 month term deposits as well as the ABS weighted average house price and rental data from March 1986 (the date the ABS began releasing house price and rental data) to the end of 2009.

ABS Weighted Av 8 Capital Cities Data vs One Year Term Deposits vs A SX 200  
March '86 - Oct '09



Note: the housing data is for the Australian market as a whole. Obviously, housing market returns will vary depending on the location of the property. Once again the data is incomplete and up to the end of October 2009. Clearly, this objective analysis of the relative performance of cash, property and shares shows a substantial advantage, in terms of total return, from the share market; an outperformance that more than justifies the level of volatility that typically accompanies exposure to share markets and serves to explain why our portfolios carry a weighting towards share market investments. And, remember, this analysis factors in the worst of what the share market has to offer, as demonstrated by the effects of the GFC.

### New Website Feature!

In the winter issue of Paramount Post, we encouraged readers to regularly visit our website to keep abreast of any news and information we thought you needed to know. In fact, many of you will be viewing this issue as a result of using a link to our website. Still, we know it's difficult to remember to visit the site from time-to-time, given we are all time-poor. If that describes you, we have good news! As of now, you can subscribe to RSS feeds from our website. RSS (which stands for "Really Simple Syndication") enables you to subscribe to automatically receive an email every time the Paramount website has a "News" item added. This keeps you up-to-date with any news added to the website without the need to visit the site. To subscribe to RSS feeds, simply follow the instructions on the RSS tab on our website, or go to <http://www.paramount.net.au/rss.php>.

### Paramount Wealth Accountants

As advised in the spring edition of Paramount Post, we have established an accounting service as part of our offer. Under the guidance of Danae Coombs, **Paramount Wealth Accountants** is up and firing and ready to serve your accounting and taxation needs, be they personal, business or for a Self-Managed Super Fund. Of course, if you have a good working relationship with your existing accountant, the financial planners at Paramount are only-too-pleased to liaise with them on your behalf. However, if are looking for a new accountant, the benefits of receiving your financial planning and accounting advice in the one place are obvious. Danae and her support staff look forward to being of service to you.

From the director of *Pretty Woman*  
comes a day in the life of love.

## Valentine's Day

WHEN: Thursday 11<sup>th</sup> February, 2010

WHERE: Cygnet Cinema in Como.

The movie is fittingly titled, given the time of year, and stars pretty much everyone, but specifically, Julia Roberts, Jennifer Garner, Jessica Alba, Jessica Biel, Anne Hathaway, Shirley MacLaine, Patrick Dempsey, Ashton Kutcher, Bradley Cooper, Jamie Foxx & Hector Elizondo

**PUT THIS ON YOUR CALENDAR NOW!**

A love story. More or less.

2.12.10



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### Office Hours:

Our office will close for Christmas at 12.30 pm on Thursday 24th December and will reopen for business on Monday 4th January, 2010. If you have any urgent matters during this time, please call Wayne on 0418 942568 or Vaughan on 0413 371147.

We wish you and your loved ones a very Merry Christmas and a happy, healthy and prosperous New Year! We look forward to catching up with you in 2010!



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