The Hudson Report

Thursday 17 December 2009

Dear [membersalutation], **Username** [membershipno]

The Final Hudson Report for 2009

Unlike 2008, where doom and gloom rang supreme, 2009 has a been a mix of negative and positive attitudes in the media, and amongst our population alike, particularly in Australia where the effects of the Global Financial Crisis didn't hit us as hard as those off-shore.

Although the year started as a harsh reality check for a lot of us, toward the end of the year, signs of improvement glittered through the clouds as a rapid turn in events in the Australian economic recovery, and relatively stable real estate figures emerged. Although we have a considerable deficit now, and need to continue to be cautious, compared to this time last year, the outlook is positive and the feeling that the sky is crumbling is all but passed.

On behalf of all of us at the Hudson Institute, I would like to thank our members for their support this year, and we truly wish you all a prosperous, safe and joyous 2010. Merry Christmas to you all!

Best wishes for the New Year,

Monique Arrighi - Editor of Hudson Report

Merry Christmas

Most of us at some point throughout 2009, have been affected by the global economic downturn in a negative way. But being the ever optimist that I am, I like to focus on the positive outcomes of the Global Economic Crisis such as the overall reduction of waste, people using less of what they don't need. Recognising that we have, as a nation, and globally, overindulged and wasted resources to the possible detriment of our children and grandchildren. Also, people thinking twice about their future and possible ways to protect their future income and investments.

Over the past 12 months, I tried not to watch too much main stream news, as I was sick of being bombarded with doom and gloom stories. 'We are in a crisis', 'you are suffering financially', 'save your pennies', etc, etc. Sure we were in the middle of the one of the biggest global downturns, but in Australia, it is not as bad as elsewhere, and I believe the negative media coverage convinced us all to slow down, whether we needed to or not. A lot of this I believe was typical scare tactics and media sensationalism. However, I did enjoy the little stories that popped up about budgeting and ways to save. I realised, or rather was reminded of the waste in my life, and how I could invest small amounts of money each month into something that actual makes me money over time. Investments such as managed funds and share portfolios that invest in your future. For as little as what I would save by making my lunch each day instead of buying it, I can grow a very decent share portfolio through a managed fund. **Click here for Louise's report earlier this year on the in's and out's of managed funds**.

One entity feeling the effect of the GFC is charitable organisations, with donations down considerably this year.We all know it's particularly hard to find the extra cash for our family Christmas celebrations this year, but we should try to include Charities in our Christmas stockings. There are so many worthy causes these days, and the tug on the heart strings can be excessive, and very expensive if you were to give to all. Personally, the charities that involve underprivileged children and teens are my choice, but we all have our reasons for giving or not giving to charities, and of course this is a personal choice.

There are many reasons who a person chooses to donate to, and if you are

having trouble deciding who to help out with your donation, ask yourself some questions - What do you feel most strongly about? What is the problem you feel you would like to help fix - or who are the people you want to help the most? What are you passionate about? Do you want to give to an area which you are familiar with, or maybe a community in which you grew up in?

Charitable need not be in the form of just money, volunteering to help out your charity of choice is often overlooked by people wanting to help. If you can spare the time and want to feel good about physically doing some good, **click here to review the volunteering website of Australia**, or contact your favourite charity.

Donating is one of the most common forms of charitable acts in Australia. It really is a very simple process, choose a charity, make the donation and receive the receipt. An added bonus is TAX DEDUCTIONS for gifts, claimed by the person or organisation that makes the gift (the donor). A donor can be an individual, company, trust or other type of taxpayer.

For you to claim a tax deduction for a gift, it must:

- be made to a deductible gift recipient (DGR)
- truly be a gift
- be a gift of money or property that is covered by one of the gift types
- comply with any relevant gift conditions.

When claiming tax deductions for gifts, you need to know:

- how much to claim, and
- when to claim the deduction

To find out...	see...
If an organisation is a deductible gift recipient (DGR)	How to check if an organisation is a DGR
Whether a gift is tax deductible, how much can be claimed and what records donors need to be kept	Claiming deductions for gifts
About workplace giving programs	Workplace giving
About making gifts through salary sacrifice arrangements	Salary sacrifice arrangements

Some worthy Charity organisations you may not have heard of:

Youth Off The Streets	**Doggie Rescue**	**Stretch a Family (help for homeless youth)**
Stewart House	**Barnardos Children**	**Aboriginal Children's Advancement Society**

SOURCE | Philanthropy.org.au | ATO

HUDSON INSTITUTE

For something a little different this year, we asked the Hudson Advisers about the most relevant or important thing they have learnt this year, and to give a little tip or advice for the New Year...

Scroll down below to read their comments:

Wisdom from your Hudson Adviser

Phillip McGann

I have learned this year - It is darkest before the dawn. Earlier this year the financial markets seemed to have priced in a new Great Depression. Looking back at the market from February 09 you would think we were all about to re-enter the stone age and everyone would be living in caves again. But it was not meant to be, and the market since then has seen one of its steepest recoveries ever and the world economy is forecast to be growing again next year. So in the depths of despair, it is always good to look to a brighter future. Investors who bought into the share market as of March are in nominal terms up more than 50% - or to put it another way, they have had about 5 years of "historical" share market growth in 9 months. Now that is something to tell the grand kids about! Those who sat on there holdings and weathered the worst of times are still down from the peak, but still traveling well enough. Anyone who sold earlier this year has virtually wiped out any chance of a recovery and is basically having to start again.

My tip for 2010 - Be true to the Hudson mantra: We are long term investors not short term speculators If volatility returns to the share and /or property markets buy into the dips for long term holds and long term growth

Hamish McDouall

I have learned this year - To borrow the famous phrase from the Worlds greatest investor, Warren Buffett, 'be fearful when others are greedy and greedy when others are fearful'. This year has been a perfect demonstration of the benefits of increasing your risk (and investments) when everybody else is running scared. Those brave enough to add money to the sharemarket between January to June have been rewarded with returns of 20-52%. In addition investors have received dividends and at times the opportunity to partake in very attractive capital raising's at discounted prices.

My tip for 2010 - Turn your news years resolutions into reality. Work out your short, medium and long term goals AND how you are going to achieve them - discuss your goals and possible strategies with your adviser. As for investment markets my tip is that markets (both property and shares) will continue to offer attractive returns in 2010 but don't be surprised if the road to recovery isn't all smooth sailing.

Ivan Fletcher

I have learned this year - That what goes down must come up!

My tip for 2010 -Live like there is no tomorrow, but plan as though you will live forever.
To my regular members, I hope this time of year brings great happiness and time for appreciating your loved ones (where ever they may be) and also a chance for reflection. I look forward to talking with you again in 2010.

Andrew MacDonald

I have learned this year - I'd learnt in theory and text books that sharemarkets can be highly volatile but this year we got a practical lesson of that. The market reached its low in March, which was 55% below its peak and has since rocketed back up by over 50%. This is what normally happens after big sharemarket falls. I invested a bit at those low levels but I wish I invested a whole lot more. The lesson of the last few years is the worst thing you can do during a sharemarket crash is to panic sell. The course of action you should take is buy when the mob is selling.

My tip for 2010 - I don't have a crystal ball but my tip would be the same as every year. Budget wisely and spend less then you earn and invest the surplus in growth assets such as shares and property. If you do this over a long period of time, you'll have setbacks along the way but you will achieve financial freedom.

Stephen Rake

I have learned this year - After the events in the financial markets over the last 12 months, I've maybe not learnt, but have been reassured that you can never pick the bottom of the market. And if you try, you'll probably be wrong on quite a few occasions. I sadly lost a family member and a friend to cancer during 2009 - so my tip for 2010 is to remember to do the things you enjoy - spend time with loved ones. Time is the greatest asset we have.

My tip for 2010 - Is to every now and then, take a step out of your comfort zone and try something new! It's amazing how good you feel when you accomplish something you thought you would never do.

Louise Falsone

I have learned this year - The most important thing that I have learnt this year is not to procrastinate, a lesson learnt under sad circumstances. By putting off completion of a life insurance application form that should not have taken more than 15 minutes, resulted in the financial devastation of a family who's sole income earner passed away suddenly. Procrastination over investing has also led to missed returns in excess of 30% from our market over the year... illustrating that timing the market is extremely difficult to do.

My tip for 2010 - Is never put off until tomorrow what can be done today

HUDSON REPORT

Year in Review 2009

January - Ivan began the year with a review of the **07-08 tumultuous financial year** so far, with discussions and expectations on the shape of the recovery to come being 'U' shaped or 'V' shaped. Phil was focused on shares and reviewed **what happened** and what to do now.

February - Quarterly Economic Update with Stephen, plus Michal discussed the growing trend of **redundancies**, and Hamish reviewed the government financial bonuses and **falling interest rates.**

March - Phil discussed insurance and to be aware of the emerging **'white shoe brigade'**, and Michal suggested **ways to save money** and also capitalising on opportunities as they arose.

April - Ivan's feature article was about valuations of property in **Superannuation Funds,**Steve talked about whether **Gearing still made sense** at this stage of the investment cycle, and for the future. Andrew discussed the use of **financial planning strategies** to obtain a guaranteed risk free return from the tax man, and Louise reported on the second Quarterly Economic Update for the year.

May - Phil reviewed the recent **share market performance**, whilst Stephen reviewed the recently released **Federal Budget** and we finished up May with a **case study reviewed** by all Hudson advisers.

June - Ivan ended the financial year with **how to maximise any government benefits** and manage the tax you pay, Hamish started the new financial year with **Hudson's five key investment fundamentals**, whilst Louise explained managed investments / **managed funds** in detail.

July - Discussions from all the advisers on **interest rates** made an interesting topic in the Hudson Forum, Steve helped us with two most popular ways to **invest tax effectively** for future expenditure, and Phil discussed the

directions that the economy may take. Louise opened the topic of **superannuation strategies**, and Andrew talked about **Australian residential property** investing.

August - Ivan's main article was on **Super and what drives performance**, Hamish reviewed the 3rd **Quarterly Economic Update** for the year. **Self-Managed Super Funds** was Stephens topic of choice, and finally the whole team discussed **share trading in the Hudson Forum.**

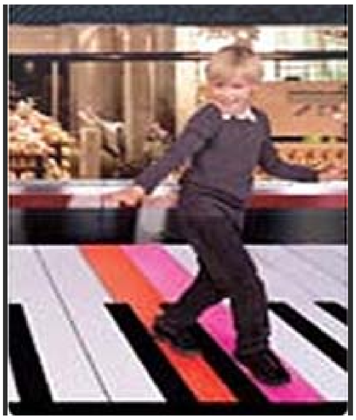
September - First off the rank was Louise with **different styles of management used by fund managers**, Ivan posed the question of when making a **property investment decision**, it is worth taking a closer look? Phil's feature article examined what had been happening in the **economy over the past year,** and how this affects Hudson Institute members, and finally Michal gave us very practical ways to **effectively budget** our hard earned money.

October - Firstly Hamish followed up his last report with **three major asset classes for investment**, and the advantages and disadvantages of each of them, Stephen helped us out with a strategy whereby you can **possibly save more from a lower income**. Then, all Hudson advisers discussed the **rising interest rates**, and how this effected all types of investments, Andrew talked about issues in **intergenerational financial planning**, and lastly Louise touched on the sometimes sensitive subject of **child support and a possible tax effective strategy**.

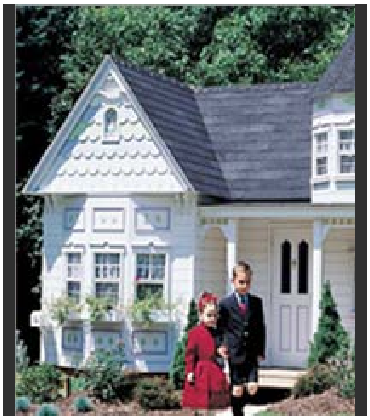
November - Andrew introduced the new month by explaining in simple language **what shares are**, Ivan reviewed the **Quarterly Economic Update** for Jul-Sep 09. Phil debated the hot topic of the apparent **Housing Affordability Crisis**, and finally Andrew compared the advantages and disadvantages of **investing in the residential property and share markets.**

December - Earlier this month Louise provided some **effective Christmas shopping tips**, Hamish questioned, **are we headed for the next great property boom?**, and finally we finish the year with this final report with a review of the year that was 2009!

Outrageous gifts of the 'sugar' Mum and Dad



Dance on Piano $250,000 USD



Playhouse mansion $24,000 USD

Pumpkin Coach $47,000 USD

Just for fun Pirate Ship £28,000

In the department of gift giving, I certainly don't begrudge giving great presents to our children. We all know that some of the 'great' presents have 'great' price tags attached, but when I read about the extravagant and ridiculous amounts of money being spent on children of the very wealth at Christmas, I couldn't help but feel sad and disappointed at how far some parents go to please their kids, when all they probably want is more time with them.

Dance-on-Piano $250,000 - Child's psychiatrist bills in teenage life >> priceless

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Back to the Top