

## In this issue:

US - Biggest kid on the block

Insurance checklist

Benefits of listening

# Autumn 2011

## Economic update

As we leave summer behind us for another year, hopefully we leave behind the major natural calamities of recent months.

In the face of these natural disasters and the rebuilding efforts that follow, the Reserve Bank (RBA) says the economy will slow, pushing back possible interest rate rises. At the same time, RBA Governor Stevens warns that all booms come to an end, and now is the time to save profits from the current commodity price boom. Other sectors of the economy, he says, will have to adapt and increase productivity.

Recent labour figures have shown employment levels have stabilised, participation rates remain high, and jobs growth is steady. Consumer confidence levels remain strong and above long-term averages.

The world economic climate is uncertain and recovery uneven. Alongside the early but encouraging signs in the US economy, and a measure of tentative stability for Europe's debt crisis, there is serious political instability among major Middle East oil-producing countries. In both the US and Europe, early signs of recovery are yet to reduce stubbornly high unemployment levels.

In our part of the world, Asian economies, including Australia's, will be affected by efforts of the Chinese government to deal with inflationary pressures, money supply, and currency valuations.

As Autumn arrives, the economy remains fit and healthy but there is much work still to be done.

## Contact:

**Aspire Retire Financial Services**  
Level 1, 167 Logan Rd,  
Woolloongabba QLD, 4102

**P** 1300 66 77 02

**E** [enquiry@aspireretire.com.au](mailto:enquiry@aspireretire.com.au)

**W** [www.aspireretire.com.au](http://www.aspireretire.com.au)

**Disclosure:** Stephen Degiovanni and Olivia Maragna are authorised representatives of Aspire Retire Pty Ltd. AFSL No. 301712 Level 1, 167 Logan Rd, Woolloongabba QLD, 4102.

**BUSINESS AWARDS**



2009 Queensland Winner  
MYOB Small Business Award

# THE US ECONOMY

Still the biggest kid on the block



With China recently toppling Japan to become the world's second biggest economy, it prompts the question: How secure is the US at No. 1?

After all, if China's gross domestic product (GDP) is growing at 10 per cent a year, surely the status of the US as the economic powerhouse is under threat?

The answer is not any time soon. Despite the fallout from the global financial crisis, the US is still the world's largest national economy with GDP at \$14.87 trillion in the third quarter of 2010. That's a massive 20 per cent of the world's total output, built on the power generated by US consumers. Consumption in many of the 50 states equals or exceeds that of entire countries around the world. California alone has a GDP nearly twice that of Australia, and on a world table would slot in at No. 8, between Italy and Russia.

But the emergence of China in recent years has it nipping at America's heels. With 10 per cent annual growth, China is expected to overtake the US between 2017 and 2025. The speed of China's urbanisation and industrialisation — now up to 170 cities with more than one million citizens — is driving their economy.

Despite this rate of growth in China, the US economy will lose little clout in the global economy or in its impact on Australia.

## RENEWED GROWTH

In 2008–2009, there was much talk about the US being a basket case but the green shoots of recovery are now emerging. While it is not out of the woods yet, the US currently has the fastest growing economy of the western industrialised world. GDP grew at 2.9 per cent in 2010, compared with a 2.6 per cent contraction in 2009.

Much of that recovery rested on a 4.4 per cent rise in consumer spending in the fourth quarter of 2010, its fastest rate since 2006. Recent estimates from the US Federal Reserve predict goods and services output to grow between 3.4 and 3.9 per cent in 2011, a rate not seen since 2004.

Against this, much of the strength in US companies comes from outsourcing jobs to countries with lower labour costs, so US unemployment remains stubbornly high, despite the fall from 9.8 per cent in November to 9.0 per cent in January.

Debt of course remains a key problem for the US. The US budget deficit is expected to reach a record \$1.48 trillion this year, which is roughly 10 per cent of GDP.

As Atlanta Federal Reserve Bank president Dennis P Lockhardt says: "Although we are in recovery at the moment and we are seeing

growth ... until we have dealt with the underlying fiscal issues we are not growing on absolutely sound foundations."

## INVESTOR'S HOPES

Nevertheless investors are firmly of the view that the US has turned the corner and this is reflected in the strength of Wall Street.

Always a barometer of future expectations, the Dow Jones index closed above the 12,000 mark in February for the first time in 30 months.

And a stronger Wall Street lifts the local stock market. Asia's growing influence may mean the nexus between the US and Australian markets may not be as strong as in the past, but Wall Street's performance is still reflected in Australia's morning trade.

There are many Australian companies which benefit from this uptick in the US economy. Certainly the growth in consumer spending is music to the ears of companies like Westfield, Billabong, News Limited, Brambles and Toll.

While China may be roaring ahead, the US will remain a mighty force, especially with its economy nearly back on track and building a head of steam.



# COVERING *all* BASES?

## AN INSURANCE CHECKLIST

Financial journalist and broadcaster, David Koch, recently commented that your attitude to insurance probably depends on whether you have ever made a successful claim. He was talking about the recent spate of natural disasters across the country, but his comments hold just as true for everyday events.

If you and your family have the right insurances, perhaps it was foresight and good planning that led you to take those policies out. But perhaps it 'just happened'. To help you take a fresh, overall look at your personal insurances, here is a quick checklist of the most common policies you might need.

### CHECKING YOUR REQUIREMENTS

#### ✓ Income insurance

Income insurance can replace up to 75 per cent of your income through to age 65 if you are unable to work due to illness or accident. The regular amount you receive, the waiting period, and the benefit period all depend on the individual policy. And, of course, the premium you pay.

**Consider:** Does the policy pay an 'agreed' benefit or an 'indemnity' benefit? An 'agreed' policy generally isn't affected if your income drops in the period before you make a claim.

#### ✓ Critical illness insurance

Critical illness or trauma insurance provides a lump sum payment after diagnosis of a serious medical condition such as cancer, stroke, heart attack, or a major organ transplant. It can pay your living expenses while you are ill and, hopefully, provide the money you need for successful treatment and recovery.

**Consider:** Is there a minimum survival period before you are eligible to claim a payout?

#### ✓ Total and permanent disability (TPD) insurance

TPD insurance pays a lump sum if you are totally and permanently disabled as a result of illness or accident; it is often included with life insurance and sometimes included as an 'add on' to critical illness policies.

### HOW TO USE THIS CHECKLIST

Everyone's insurance needs are personal so making the right insurance choice is often a complex decision. Do you need all four personal protection policies, for example: income, critical illness, TPD, and life? Perhaps you do, but your decisions will depend on your age, cash flow, and state of health.

When you go through this list, you may find that in some important areas you are in fact self-insuring, that is, shouldering all the risk by yourself. To make sure that you have the policies you need, it is a good idea to discuss your insurance choices with us so that we can help you manage your overall risk management plan.

**Consider:** Does the occupation definition talk about ability to do one's 'own' job, or 'any' occupation? When assessing your requirements, think about the special physical or knowledge skills you have and which are needed in your job.

#### ✓ Life insurance

These policies pay out a lump sum upon death, although some allow death benefits to be paid out earlier if there is terminal illness and life expectancy is less than 12 months.

**Consider:** Should the life policy be held inside or outside of superannuation? Also, if you hold either TPD or critical illness insurance within the same life policy, consider taking a 'buy-back' option: if you receive a trauma or TPD payout, this option generally allows you to restore the life cover to full value after 12 to 24 months, at an additional cost. Finally, check that your cover has guaranteed renewability, that is, the insurer must renew your policy each year up to a specified age, regardless of any changes to your health.

#### ✓ Asset insurance

We all need general insurance to cover our homes and their contents, cars, boats, caravans and the other valuables we own. As the recent natural disasters have demonstrated, it pays to read the fine print and ask questions. It also pays to shop around.



# Listen up

## The benefits of listening

Most of us are good at talking but when it comes to listening, our skills can usually do with a bit more polish.

Whether we are at work, at home, or out with friends, we tend to be more interested in what we are saying or want to say next, than in hearing what others have to say to us.

Being an effective listener can make you a better boss, employee, parent, partner and friend, but it isn't as easy as it sounds. It is something we all have to work hard at, a skill that has to be learnt and improved.

### LEARNING GOOD HABITS

Two distinguished educationalists\* recently suggested this list of behaviours to make us better listeners:

- **Concentrate harder on what others are saying.** Your brain works much faster than the other person's mouth, so pay attention and don't be distracted by your own stray thoughts.
- **Let your body language show you are listening.** Nonverbal messages can be three times as powerful as verbal messages, so maintain eye contact with the speaker, nod your head to show understanding, and don't look around or fidget.
- **Don't become defensive.** You don't have to agree with everything that the other person is saying, but you should try and listen to them. Interrupting with counter arguments before

someone finishes stating their case is a sure sign you have stopped listening.

- **Learn to paraphrase.** Paraphrasing, and reflecting the speaker's message back in your own words, gives the speaker proof you listened to and understood what they said. ('So what you are telling me is ...')
- **Listen to feelings, not just to words.** The speaker's body language — the way he or she is standing, their tone of voice, volume and inflection — are all part of the message they are sending.
- **Ask questions.** Use questions to clarify points, obtain additional information or move the conversation along, but never use them to disguise a counter argument.

### LOSING BAD HABITS

While these six tips can improve your listening skills, you might also need to consider some strategies to avoid two of the biggest barriers to active listening — knowing the answer and trying to be helpful.\*\*

When you know the answer, you know what the speaker wants to say even before they finish saying it! Typically you come across as an impatient listener, cutting others off or trying to complete their sentences.

By interrupting the speaker before they have finished, you're essentially showing that you don't value what they are saying.

If you have a tendency to interrupt because you already 'know the answer', a simple strategy is to wait for a few seconds after the speaker finishes and then begin your response.

The second barrier comes from trying to be helpful, often by sharing your wisdom and experience. At first glance it may seem beneficial, but it interferes with listening because you are thinking about how to solve what you perceive to be the speaker's problem, and it is likely you will interrupt the speaker before they can fully explain themselves.

A good rule is to avoid telling the speaker how you handled a similar situation unless they specifically ask for your advice. Alternatively, let the speaker finish talking and politely ask if you may offer what you see as a possible solution. Remember, they may not want your advice but just an opportunity to be heard.

There they are — six tips and two strategies that will make you a better listener. Most of them are simple techniques, though be prepared to review and change any negative, ingrained habits. The good news is that you should see an almost immediate improvement in your listening skills, and find out lots of things you may have been missing out on!

\*Prof. Tom Lewis & Prof. Gerald Graham, writing in *Internal Auditor*, 08.08  
\*\* Eight barriers to effective listening by Michael Webb, <http://sklatch.net/>