

Credit card travel insurance

Very convenient but can you depend on it?



Aussie \$ ruining your holiday plans?

Destinations where the Aussie dollar goes a long way



What happens if you die without a will?

What happens to a person's estate if no valid Will is in place.



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Insight

China throws a rock in the pond

The Global Financial Crisis rocked the world's financial system. It resulted in 7 long years of unconventional monetary policy in order to settle the greatest emotion that can rapidly undo markets, FEAR. Fear of loss has been shown to be twice as powerful as the joy from profit. This means that markets are not as rationale as some would have us think. Rather we are emotional. The two greatest emotions are fear and greed. During the last few weeks we have seen the effect of fear hit the markets.

The US central bank wants to re-establish its major weapon of influence – interest rates. The UK is not far behind. Europe and Japan, who both have floating currencies, have broken ranks and begun further Quantitative Easing to lower their currency relative to the US dollar, which in turn increases competitiveness of their exports.



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Credit card travel insurance



Most banks offer “free” travel insurance when you book a holiday using their premium credit cards. This ready to go cover is very convenient but can you depend on it? Also, do you even realise you have it?

Most credit card travel insurance policies cover you for all the usual things like medical emergencies, cancellation and loss of baggage and items. But they do differ from standalone cover so it's essential you check the small print.

- Credit card insurance won't automatically cover you for pre-existing conditions. You will need to call the insurer and arrange to pay an extra premium
- You have more choice as to the excess you pay should you need to claim under a standalone policy. The excess on credit card policies tends to be fixed at a higher rate.
- Credit card insurance policies only cover trips of up to 3 months
- Credit card policies often have no age limits, unlike some standalone policies.
- Credit card insurance isn't based on locations. Unlike regular travel insurance, which means you can travel from Europe to the US without worry about whether your policy covers both areas.
- Credit card insurance doesn't apply to domestic travel.
- You may not be able to claim reimbursement of costs unless you pay for purchases with your credit card, such as buying emergency items after a baggage delay.



Overall credit card travel insurance can meet your needs and save you hundreds of dollars, however it's essential to ask for a copy of the policy wording from your bank or credit card provider, to evaluate if it meets your personal needs and situation.

Source: CHOICE Travel Insurance Buying Guide – commissioned by the Department of Foreign Affairs and Trade. www.choice.com.au

China Throws a Rock in the Pond continued...

China, however has a currency pegged to the US Dollar (“USD”), and recently took the official action of devaluing their currency by 3%. This wasn't a one off accident of timing, it was a concerted effort to un-peg from the USD and re-peg to their trading partners to ensure they are able to maintain market share in value adding manufacturing. It is widely expected there will be further “one off” devaluations of the Chinese currency, with predictions of around 10% devaluation to come. The motives of the Chinese government are to maintain employment for their people and hence social cohesion – which is a perfectly acceptable aim.

The next 12 months are likely to be defined by the desire of the US Fed to normalise monetary policy, greater than expected weakness in China and continued falls in the commodity markets.

Many emerging market countries have currencies that are pegged to the USD. While this has been a good thing for them while the USD was falling – relative to other major currencies – it has damaged their competitiveness

as the USD has begun to rise. Given this backdrop, emerging markets will be vulnerable to sudden changes in investors' expectations regarding their ability to continue to grow profits and cashflow in the event they continue to lose competitiveness from a relative exchange rate strengthening.

The US on the other hand is a beneficiary of these emerging market troubles. The US runs a current account deficit, meaning it imports more than it exports. Cheaper imports as a result of strengthening USD on top of cheap oil, mean happier days for consumers who have jobs – most Americans.

Australia's largest export markets are the emerging markets to our north. This means the balance of risks for our market have also increased. It is likely we will see this through a continued sluggish economy and as a result persistently falling AUD. As a result investors will continue to chase income and yield, meaning high dividend paying companies will remain expensive.

Source: Macquarie Wealth Management

Is the falling Australian dollar putting a dent in your holiday plans?



Whether you want to immerse yourself in another culture or just escape the winter chill, there are still great holiday destinations where the Aussie dollar goes a long way.



One great value destination is Brazil where the Aussie dollar has gained over 14 per cent against the Real as South America's largest country struggles with a slump in agricultural prices and a corruption scandal, affecting the state owned oil producer, Petrobras. Although the Rio Olympics are still a year away, between the Amazon rainforest and the amazing beaches, there's never a bad time to go to Brazil.

If you're looking for something a little more off the beaten track, the Australian Dollar has also soared nearly 16 per cent over the Azerbaijan currency. The former Soviet republic recently devalued its currency by more than a third as it seeks to diversify from its dependence on oil exports. Bordered by the Caucasus mountains

and the world's largest 'salty' lake – the Caspian sea, Azerbaijan is also rich in natural treasures and UNESCO world heritage sites.

And of course, don't forget its northern neighbour, Russia. While the Australian dollar has fallen 9 per cent against the Ruble this year, recent political turmoil in Eastern Europe makes Moscow more affordable than in a long time.

Meanwhile, like Australia, most countries which rely heavily on resources and commodities for exports have seen the value of their currency fall. Two such countries are Canada and South Africa, which have remained relatively on par with the Australian dollar in 2015.

Alas, if you plan to travel to the US or Britain, it just got more expensive.

Country	Currency	% Change in 2015
Azerbaijan	New Manat	15.9%
Brazil	Real	14.4%
Colombia	Peso	7.1%
Turkey	Lira	6.9%
New Zealand	Dollar	6.1%
Malaysia	Ringgit	-0.4%
Mexico	Peso	-0.8%
South Africa	Rand	-1.1%
Canada	Dollar	-2.2%
Indonesia	Rupiah	-3.0%
Thailand	Baht	-4.7%
Fiji	Dollar	-6.0%
Japan	Yen	-7.0%
Russia	Ruble	-9.1%
Hong Kong	Dollar	-13.0%
USA	Dollar	-13.1%
Britain	Pound	-16.0%

Outlook for the Aussie Dollar

If commodity prices continue to weaken, combined with low interest rate support and a strengthening US dollar, it is quite conceivable that the dollar will head into the US60c's or even lower.

The lower dollar, however, is already having a positive impact upon tourism, education services and agricultural exports as well as helping to maintain the viability of mining exports despite lower prices denominated in US dollars. All these factors will tend to stabilise our dollar over time.



We're here to help

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Ever wonder what happens if you die without a will?



The various State intestacy laws reflect what happens to a person's estate if no valid Will is in place.

The results may shock you.

These laws differ from State to State and for illustration purposes only we have included an example for Western Australia, based on a wife/husband and 3 children (of the same deceased) with a \$2,000,000 estate.



Spouse			Children	
Cash	First	% of Remainder	% of Remainder	
Western Australia	\$50,000 of estate	1/3	\$650,000	2/3 \$1,300,000

Note: this doesn't include joint assets such as the family home and bank accounts, provided they are owned in Joint Names which automatically go to the surviving spouse.

These laws can be very complex in the case of blended families and ex-spouses.

It's essential that you regularly review your estate planning situation. Should you wish to discuss this further please contact us.

-49%

Did you know

The reduction in income from a three-year term deposit from June 2009 to June 2015.

ASX record dividends

Australia's top 200 companies are on track to pay out a record \$81.8 billion this financial year, shrugging off earnings downgrades in the wake of a downbeat profit reporting season to boost their returns to shareholders.

The ASX 200 Index's Global reputation as a high-yield market remains intact.



Secure your financial future

Call: **08 6282 0170** or visit: **www.williamgrant.com.au**



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