

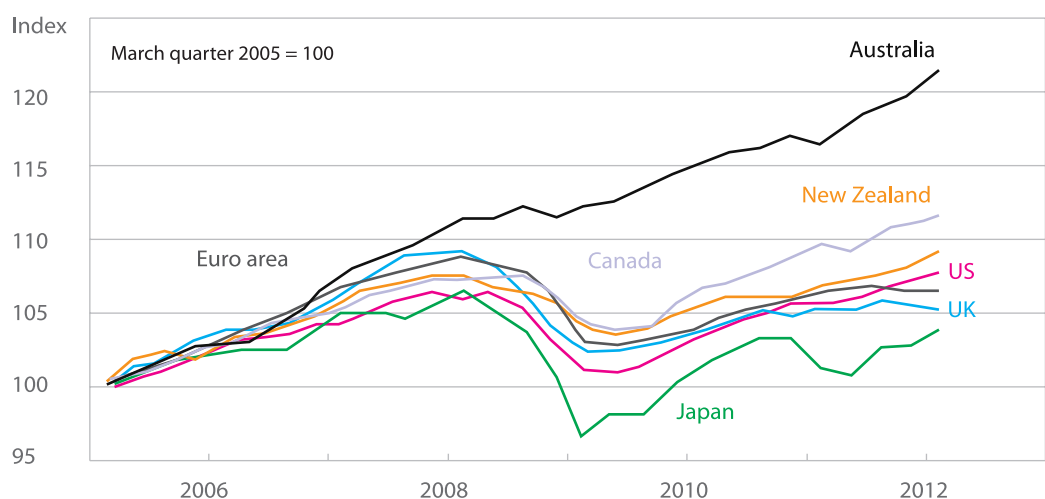


Changing with the times

If variety is the spice of life, then most Australian investors have had their fill of excitement in recent years. While our economy has outperformed most of our traditional trading partners since the GFC took hold in 2009, Australians have remained concerned that an economic catastrophe is still lurking around the corner.

Despite solid growth and some areas of the economy shining, our outlook, as measured by consumer sentiment, has been in the doldrums. Positive drivers such as low interest rates and low unemployment were being overshadowed by negative news from Europe and uncertainty about the future strength of the local economy.

Real GDP Growth 2005–2012: Australia & Trading Partners



New realities

One reason for this uncertainty may be the extensive change Australians have been experiencing since 2009. With new realities like a strong dollar and dominant resource industries driving major changes in the economy, for some people the personal impact has been significant.



This 'structural economic adjustment' is not new of course. Changes occur to the structure of every economy for different reasons. The days when agriculture was our strongest sector have long gone, as we have moved towards an economy now dominated by the services and resources sectors.

More and more Australians are changing their lives – from where and how they live to the type of work they do – to be able to earn a living and prosper from these adjustments.

Moving with the work: the Foley family story

Jack Foley has worked in Geelong, Victoria's second largest city, as a mechanical draftsman for many years and most of his children have gone to university and moved away. He had a successful business but a downturn in local manufacturing has meant no work since Christmas. Now in his 50s, he has landed a job among the resource-driven industries based in Perth so he has moved across the country, with his wife and a younger child to follow later in the year.

As this story shows, ebbs and flows in the economy can undoubtedly cause individuals and families considerable pain. People have their hours cut, or find themselves out of work and having to relocate or needing to re-skill themselves to take advantage of new opportunities. Any change can be difficult, especially if you are not prepared or lack the ability to adapt.

New opportunities

Similar adjustments are happening in the retail sector, as spending and buying habits change and increasing numbers of people shop online. Retailer and founder of Harvey Norman, Gerry Harvey, spent years resisting the online retail world before the opening earlier this year of harveynorman.com.au. But changes have also created

opportunities for innovation and new ways of retailing, such as StyleTread.

Innovation: the way forward

While shoppers are turning from bricks to clicks, they are helping grow new online businesses like shoe retailer StyleTread. The business is not alone in competing for Australia's \$2 billion shoe spend, but after less than two years they now have a warehouse holding 100,000 pairs of shoes and employ 20 people. They also generate new work for transport companies like Australian Air Express who deliver the shoes and pick up returns under StyleTread's 100 day return policy.

Gaining from change

Many of the adjustments individuals and businesses have already made, as painful as they may have been on a personal level, actually add resilience in case of future economic shocks.

At an individual level, these changes include saving more and being more cautious about taking on high levels of debt, as well as weaning ourselves off easy capital gains from constantly rising property prices. Together with adjustments made by businesses such as redirecting banks' funding away from short-term foreign borrowing, these responses give the economy stamina for the future.

One fact you can bank on — both the local and global economies face further change. While structural change is often beyond our control, you can be sure most well-managed businesses are actively working to position themselves for future growth.

It takes strength and stamina for Australians and Australian businesses to meet the challenges of our new economy. Although sometimes painful, the changes made today are designed to strengthen our position for tomorrow and for future generations to come.



Phillip Thompson of Rise Financial
25 Michell Street
Monash, ACT 2904

P 02 6292 0015
F 02 6292 0071
E phil@risefinancial.com.au
W www.risefinancial.com.au

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