



## LIFE AFTER THE GFC

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The Global Financial Crisis (GFC) is slowly receding into history but its effects are still lingering in the world's economies and financial markets - and in our minds.

Philosopher George Santayana is often credited with the adage: "Those who cannot remember the past are condemned to repeat it."

Some of the events we have witnessed may hold particular lessons for us in making our future financial plans. Here are a few examples:

- *Sub-prime mortgages*: Despite the early signs of trouble in the US housing market appearing in mid-2007, the local ASX 200 share market index rose to a record of 6,828 points on November 1 that year.
- *Guarantee of bank deposits* in Australia, which followed the initial failure of US stimulus packages to gain support and the collapse in share prices in October 2008.
- *Government takeovers* of Northern Rock in the UK (to prevent a feared run on bank deposits) and of Fannie Mae and Freddie Mac in the US (to save their two largest mortgage companies).

### The outlook for 2010 and beyond

In some areas, the chaos of 2008 was turned around in 2009. At the same time, jumpy nerves still exist for some investors, politicians and money managers alike.

A key issue for 2010 and beyond will be how the Australian economy survives without the dramatic economic measures that were brought in to avert a recession. Interest rates have started to rise again, and the effects of the federal government's stimulus packages may start to wear off.

Some good news is that our unemployment rate appears to have levelled out somewhat, but this will be closely monitored over the coming year as a sign of how the economy is travelling. And share markets have grown **almost 50%** since their bottom in March 2009, leaving some analysts fearing that they could be expanding faster than the real economy.

Economists and analysts differ in their opinions about the type of recovery we will experience. Will there be strong growth, a long period of low growth, or are we facing further instability with the possibility of a double-dip recession? In a period of so much uncertainty it is more important than ever to seek out competent professional advice regarding your investment strategies.

Helping you build yours.

