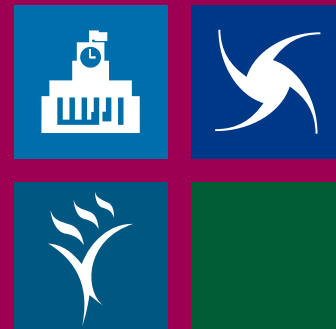


FINANCIAL PLANNING

NEWS



FuturePlus Financial Services

March quarter 2008



Welcome. In this issue of Financial Planning NEWS you will find information on:

- The latest in investment markets.
- How to stay calm when the going gets tough in investment markets.
- Choosing the right fund for retirement.
- Creating your Will online through the Fair Go program.
- How the new government views super.
- Why dancing is good for you.
- Upcoming events in NSW.
- How the different investment asset classes have behaved over the quarter.

What's happening in investment markets?

Few could have predicted that bad weather in a small part of the US housing market would gather so much momentum and blow such ill winds across global financial markets.

It all started in the middle of last year when it emerged that pockets of lower income Americans who had been advanced subprime mortgage loans were unable to re-pay them. Since then it has escalated into a full-blown global liquidity crunch and is likely to thrust the US economy into a recession.

The market became extremely jittery when the news broke. No one knew how deep the subprime lending problem ran and who would be hurt next. This uncertainty led to a credit crunch where lenders were afraid to part with their money, making it harder and more costly for companies to borrow.

Some companies, especially those which already had high borrowings, suddenly found that the taps had been turned off on their loans. Others found that the costs of funding their businesses were now much higher.

Part of the fallout was due to the fact that some institutions had become increasingly sophisticated at wrapping up debt and parceling it in complicated ways that may have disguised the underlying risks. This led to a renewed look at, and a re-pricing of, risks.

As a result, share markets bounced around nervously during the last six months of 2007. Since December, however, they have dropped sharply as more banks (and other companies) have notified the market of their losses and on the belief that there's still plenty of bad news to come.

At the same time, investors have become jittery about the prospects of the world's biggest economy, the US. At first they worried that it was heading into recession. These days, however, they debate how bad and prolonged a recession it will be and how it will affect other economies.

These conditions have started to rub off on Australian companies. Debt is now more expensive to obtain and the Australian dollar has recently been surging to new highs, hurting those companies who export or have operations overseas.

While the Federal Reserve has been lowering interest rates in the US, the Reserve Bank of Australia has been raising rates as part of its war against inflation. Inflation has been edging up as a result of the buoyant economic growth we've enjoyed in recent years.

Economists still insist that the fundamentals of the Australian economy are, and will remain, sound - despite the problems in the US. Although Australia is still likely to be hurt by any problems in the US, the country is far less dependent on the US than it used to be. That's because it has become increasingly reliant on Asian economies, many of which are still surging ahead.

China's economy, for example, isn't forecast to run out of steam after the Beijing Olympics end in September. Its economy is being fuelled by massive urbanisation which continues to create huge demand for infrastructure, housing and materials, which then creates demand for the resources Australia produces.

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In addition, world markets have taken some comfort from coordinated and repeated moves made by central banks around the world to ease the pains caused by the fallout from the US subprime crisis.

In March, for example, the US Federal Reserve and four other central banks teamed up to channel billions of dollars in fresh funds to cash-starved credit markets, allowing financial firms to use securities backed by home mortgages as collateral for central bank loans.

Nonetheless, Australian companies are still feeling the impact of the global turmoil as the recent interim reporting season revealed. Overall, companies still showed earnings growth, but many are tracking below forecasts. And, while most analysts still expect company earnings to grow, they expect the growth rate to slow this year.

So if these analysts are right and if the turmoil in world markets doesn't get worse, then Australian stocks could be in for a somewhat sluggish year as company profits underpin the performance of the share market.

Stay calm when it gets tough in investment markets

The recent events in global investments are enough to unnerve even the most seasoned investors, but the worst thing you can do is panic. This could lead to you taking action that you might regret later.

Share markets have enjoyed a spectacular run over the past four years and were, perhaps, due for a correction. Remember that investment markets are cyclical. In other words, they go up and they go down. Fortunately, however, they've risen more than they've fallen, especially over the longer term. What's more, in the past they've always recovered from large falls.

Share markets are unpredictable. With this in mind, the financial experts warn against trying to pick the market cycles because investors - and even professionals - rarely get the timing right.

So, if you rush off now and sell your shares at their current lower prices or switch your investment to avoid further losses, you might be timing the market wrongly. That is, you may be selling out just as share prices are about to pick up, making it harder for you to get back into the market in the future. In fact, some investors view a slump as a good opportunity to put more money into the share market.

At times like these, it's a good idea to take a step back and look at the fundamentals underpinning the market. Market experts believe that both local companies and the Australian economy are still in good shape and, with Asian economies still growing, that Australia's prospects remain sound. Governments around the world are also taking steps to ease the pains caused by the fallout from the US subprime crisis.

The experts say that this is a good time to remember a key investment strategy which is diversification. Basically, it means not having all your eggs in one basket. If one asset class is yielding negative returns another may be in positive territory, helping to smooth out your returns.

The experts also agree that while there may be short-term dips in market returns, most carefully selected and age-appropriate strategies work well for investors over the long term.



That's why it is important to remember why you selected your investment strategy in the first place. You might have chosen it for a number of reasons, such as:

- To meet your financial goals;
- Because of the number of years you need to fund your retirement (or until retirement if you or your partner haven't retired yet);
- Because of your level of risk tolerance;
- To diversify your investments and spread your risks; or
- Because it's generally the right strategy for your life stage.

If your reasons have changed, then maybe you should re-examine your portfolio mix. If your reasons haven't changed, perhaps it's best to sit tight even if the ride is a bit bumpy.

However, if you feel uncomfortable with this approach, or believe that this is a good time to review your retirement plan, please call **1300 883 788** to speak to your financial planner.

New government sees super a key priority



For the first time ever, Australia has a minister responsible for superannuation, a sign of just how important promoting retirement savings is to the new Labor government. The new minister, Nick Sherry, has already made some announcements in this arena.

One of his first moves on taking office has been to announce a probe into the practices of self-managed superannuation funds (SMSFs). It will look at the level of governance in these funds and at whether aggressive marketing is being used to

push some Australians into these funds even though they may be unaware of the large risks, significant responsibilities and costs involved.

More recently, he also established a Superannuation Advisory Group, made up of academics and well known names in the superannuation industry, to act as a sounding board on superannuation matters.

Together with Finance Minister, Lindsay Tanner, Mr Sherry has also formed the Financial Services Working Group which will identify ways in which simpler and more readable financial information can be delivered to consumers. A key target will be the lengthy, complex product disclosure documents that super funds are obliged to compile for their members.

■ **NEWS:** Retrospective from 1 July 2007, lump sum superannuation benefits paid to members with a terminal illness will be exempt from tax.

Time to put on those dancing shoes

Research shows that dancing can increase your cardiovascular conditioning, which can help to strengthen your heart and prevent heart diseases. It also helps to reduce stress, increase energy, improve strength and enhance muscle tone and coordination. It's also a good way to meet new people, laugh and be happy.

Whatever your preferences, there is a host of different types of dancing to choose from – everything from rock and roll, ballroom and line dancing, to tap and belly dancing.

Many social or senior citizens clubs, community centres or your local council will have some kind of dance class, so why not make enquiries about joining a class today? Of course, as with any new exercise regime, make sure you check with your doctor prior to commencement.



What's on in NSW?

Kings Cross Food and Wine Festival

When: 4 May 2008
Where: Fitzroy Gardens at the Fountain, Kings Cross
What: Good food and entertainment, including jazz, classical world music and dance.
Find out more: visit www.kingscrossonline.com.au

Lovedale Long Lunch

When: 19 – 20 May, 2008
Where: Hunter Valley
What: A progressive style lunch where visitors wine and dine their way around the seven participating wineries over the weekend enjoying a glass of wine, gourmet food, fabulous music and art.
Find out more: visit www.lovedalelonglunch.com.au

Primo Italiano 2008

When: 25 May, 2008
Where: Stanley and Yurong Streets, East Sydney
What: Sydney's original Little Italy becomes an Italian piazza, complete with a fountain, al fresco dining, gourmet food stalls, big bands, roving singers and musicians, street drama, an Italian pop music beer garden and a children's parade.
Find out more: phone **02 9265 9333**
 or email: council@cityofsydney.nsw.gov.au

Blue Water Country Music Festival

When: 5 – 9 June, 2008
Where: Port Stephens
What: A wide variety of country music played at 40 venues on the waterway or boats.
Find out more: visit www.bluewatercountrymusic.com.au

Winter Magic Festival

When: 14 – 28 June, 2008
Where: Katoomba and surrounds
What: Begins with an exhibition of local works of art displayed in over 100 shop fronts in Katoomba and a poetry slam competition. The festival also includes stalls, concerts, parades and fireworks.
Find out more: visit www.wintermagic.com.au

National Tree Day

When: 27 July, 2008
What: Join in with thousands of volunteers across the country to help 'Green Up' Australia by planting native trees in your community.
Find out more: visit www.planet.ark.com or call the National Tree Day Hotline on **1300 885 000**.

Seminars

If you haven't retired yet, or your partner is planning to do so, why not attend a free pre-retirement planning seminar brought to you by your Scheme? Also, if you have family or friends that you think may benefit, please feel free to invite them along too.

To attend one of our free financial seminars near you, call **1300 369 901**. Alternatively you can book a seat via email by writing to info@futureplus.com.au

It couldn't be simpler.

The following lists the pre-retirement seminars that are coming up in the next few months:

Date	Month	Place
22	April	Wollongong
02	May	Blue Mountains
07	May	Wyong
14	May	Cronulla
27	May	Ashfield
02	June	Orange
18	June	Sydney
19	June	Shellharbour
10	July	Parramatta
18	July	Bathurst
25	July	Parkes
26	July	Wollongong

Regional office details are:

Lismore

81- 83 Molesworth St

Newcastle

161 King St

Orange

187 Summer St

Parramatta

10-14 Smith St

Sydney

28 Margaret St

Wagga Wagga

2/209 Baylis St

Wollongong

Shop 2 & 3, 60 Burelli St

Albury*

621 Dean St

*Bookings are essential. Phone 1300 883 788 to make an appointment.

Choosing the right fund for retirement

It's always important to ensure that you are in a good super fund that meets your needs for retirement and this is critical when times are tough.

Markets are cyclical and returns do rise and fall. When they fall, your account balance can be further eroded by costs and charges. Over a long period, this can make a huge difference to your savings.

Fortunately, as a member of this Scheme, the charges you pay are competitive, relative to the services you receive. Always remember you need to compare apples with apples when looking at different retirement funds. For instance, you don't pay some of the fees that other funds may charge, such as entry, exit or switching fees. That's because the Scheme's Trustee is a not-for-profit company.

The Scheme is also part of a much larger not-for-profit financial services group which looks after the needs of more than 150,000 members and has funds of approximately \$10 billion under management.

This group includes FuturePlus Financial Services, which is part-owned by your Scheme and provides you with a wide range of services, including access to qualified financial planners. As the planners don't earn commissions, you know they will give you advice that's best for you, rather than their back pockets. The planners also provide you with continued support after you retire.

As you may be aware, the Scheme has also worked hard to bring these services close to you. There are seven branches spread across NSW and the staff in each office are available to answer any questions you have about super or any of the services we offer. The teams also run numerous wealth

creation and pre-retirement seminars at member worksites and in local venues so that family and friends can come along too.

You can also call our Member Services Contact Centre during work hours with any questions you have about your super and the Scheme's website has up-to-date information, as well as tools and calculators, to help you make investment decisions.

The Scheme is also working hard to help you cut costs on other expenses so that you can save more and further bolster your retirement savings. It offers you access to low cost home loans and, through the Fair Go program, discounts on a wide range of services such as health insurance, phone contracts, travel, accommodation and entertainment. Look out for these offers from Fair Go in newsletters and on the web.

So, whatever your circumstances, we are here to help you. To find out more about any of the services we offer, or any of the ways we can continue to make this the right retirement fund for you, please call Member Services on **1300 369 901**.

And the winner is...

Congratulations to Joan Marks of Leeton NSW. She is the first quarterly winner of our Eco-Point questionnaire mail-out sent to all members who attended our retirement seminars between October and December last year. She wins an Eco-Point weekend getaway.

Create your own Will online with Fair Go

The Fair Go Will Service, brought to you by your Scheme, provides you with two options for creating your Will online - for as little as \$20!*

Do-It-Yourself Wills - You can now create your Will online at home with the Fair Go DIY Will. This lawyer-approved product is written in plain English with step-by-step directions and explanations.

At the end of the process you can print the document ready for signing and witnessing, resulting in a completed Will within one hour of starting the process. You can also update and reprint your Will as many times as you like within a year.

For those with a less complicated Will or who have had a Will drawn up before, the DIY Will is for you.

Solicitor Wills - The Fair Go Solicitor Will facility follows the same principle as the DIY option, however, at the end of the process, you submit it electronically to a solicitor for legal checking and approval, instead of printing the document. The Solicitor will then contact you by phone or email within

two working days to address any issues. Once both parties are satisfied, the solicitor prints the Will and arranges for signing.

This convenient and efficient service gives you the peace of mind of knowing that a solicitor has personally checked your Will, without you having to leave the comfort of your home.

Visit www.futureplus.com.au, click on Fair Go in the right hand menu, and then select Estate Planning to make out your Will today.

PRICING

DIY Will	■ Single	-	\$20
	■ Couple	-	\$32
Solicitor Will	■ Single	-	\$108
	■ Couple	-	\$176

* Price refers to DIY Will for a single person.

How have investment markets performed?

The first three months of 2008 were one of the worst quarters for investors in decades, with many asset classes hurt by the global credit crunch. As a result, borrowing has become difficult and expensive and fears of slowing world economic growth emerged as the US teetered towards recession.

The fallout continues, too, with companies in Australia and abroad announcing losses as a result of the US sub-prime crisis. Even the \$160 billion stimulus package from the US Government, along with the US Federal Reserve's interest rate cuts and attempts to prop up troubled investment bank Bear Sterns, did little to lift sliding confidence in international markets.

In Australia, the Reserve Bank's concern over rising inflation led to two interest rate rises, the last to 7.25%. Major banks raised their mortgage lending rates by more than this because the credit crunch has increased their funding costs. The fear now is that higher interest rates could dent economic activity and limit the profits of Australian listed companies.

Australian shares

The Australian share market suffered its fifth consecutive monthly fall in March and ended up having its worst quarter since the 1987 stock market crash. Australian shares were down 14.6% for the quarter and had fallen 21% from their highs in November last year.

Resource stocks (down 6.6%) fared far better than industrial stocks (down 17.5%) as they continued to benefit from solid demand from Asia and strong commodity prices. Some Australian companies, however, such as ABC Learning Centres, MFS and Allco Finance, were stung by the margin lending practices they had picked up during the boom years. These practices involve borrowing money to buy shares, which can be good when share prices rise (above the costs of borrowing) but not when share prices fall significantly, as was the case for these companies.

International shares

Taiwan's Taiex Index beat the world's biggest share markets in the first quarter of 2008. It was boosted by the prospect

that the election of a pro-China president would help ease travel and investment restrictions with its fast growing neighbour.

But the Taiex was the only one of the world's 20 largest markets to rise in the March quarter and it rose by only 0.8%. The rest all fell. The MSCI World Index, a broad measure of shares around the world, posted its worst quarterly drop since the "tech-wreck" of 2002, losing 10% over the quarter. Europe's markets were off 16%, Asian shares by 12% and US shares by over 9%.

According to data compiled by Bloomberg, about \$3.9 trillion in value had been erased from global share markets by the end of March.

Listed Property Trusts (LPTs)

LPTs have also been through a very difficult period since November 2007. After years of solid gains, investors began fleeing the sector after news broke that some companies had come unstuck because of their heavy borrowing practices. The global credit crunch, for example, made it much harder for a company like Centro to refinance its debts.

Investors started buying some of the LPTs again in March and they rose slightly by 0.4% during the month. However, they were still down 19.1% for the quarter and 24.2% for the financial year to end March.

Fixed interest and cash

Global fixed interest performed strongly over the quarter with a 5.5% gain. When hedged in Australian dollars, it was up 3.4%. In contrast, the 2.2% rise from Australian fixed interest was more modest, but still beat cash's gain of 1.8%.

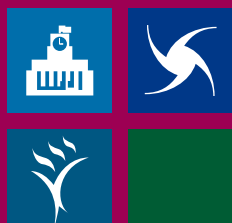
Government bonds benefited from their status as a safe haven in times of stress. But non-government bonds, such as corporate bonds and asset backed securities, continued to struggle as the global liquidity crisis deepened. Jittery investors avoided them in favour of government bonds due to concern there could still be more losses to come from the US's sub-prime crisis and the credit crunch.

Please note that the information contained herein is of a general nature only. It has not been prepared taking into account your particular investment objectives, financial situation and particular needs. You should assess whether any advice is appropriate to your individual investment objectives, financial situation and particular needs before making any investment

decision. In particular, you should obtain a Product Disclosure Statement (PDS) for the relevant financial product and consider the PDS before making any decision in relation to the matters set out in this publication.

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**FuturePlus
Financial Services
Pty Limited**
(AFSL No. 238445)
(ABN: 90 080 972 630)

Head Office
Ground Floor
28 Margaret Street
Sydney

Postal address:
PO Box N180
Grosvenor Place
NSW 1220

T: 1300 883 788
F: 02 9279 4130

www.futureplus.com.au