

Braving tough investment markets



2008 was a tough year. The downturn in investment markets was worse than most commentators expected and the returns of most asset classes have been negative.

On a brighter note, many believe the outlook for 2009 is looking more positive. Their reasons include:

- Markets have fallen very far and it is unlikely that the economy will experience as bad a time as those falls suggest.
- Unlike in the 1930s, the stimulus being applied to world economies is significant. It is decisive, creative and substantial. Economists believe that Australia is in a stronger position than most other developed countries due to our government's robust financial situation and our exposure to the growth of our developing neighbours such as China.
- Throughout history the Australian market has always recovered from large falls to record new highs and we see no reason to believe this will not happen again, over time.

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

- Braving tough investment markets
- Centrelink and ASIC financial assistance
- Improving your home security
- The latest from Fair Go
- Seminars
- What's on in NSW
- Investment market commentary

Investors who react at these times tend to miss out over the longer-term by selling assets at low prices and missing the opportunity to buy back in. Setting a well-diversified, quality portfolio in line with your goals remains the soundest long-term strategy. To expand on this point:

- The Scheme continues to hold quality, well-diversified assets.
- Official cash rates have fallen to 4.25% with indications of further reductions. Cash may not be a good asset class to be invested in as it barely keeps pace with inflation.
- The dividend return on many quality Australian shares (even ignoring tax) is somewhat higher than the cash rate which should force share prices higher.

We believe that the prospects for improvement are strong and for this reason, we believe this may be a good time to review your investment strategy.

While it is understandable that the natural tendency for many is to be defensive in these times and move investments to cash, this is unlikely to meet most investors' long-term goals. We believe this is an appropriate time to discuss your investment strategy with your financial planner. You can contact your planner about this or any other aspect of your financial plan on **1300 883 788**.

Help may be at hand



If your assets and income outside of the Scheme have been affected by the recent share market downturn, you may be able to get some assistance from Centrelink and the Australian Securities and Investments Commission (ASIC).

This help will vary depending on your situation and the value of your assets.

Centrelink

Lower assets values

If your income and assets are not frozen, but you have shares or managed investments which have fallen in value, you should contact Centrelink to reassess the value of these investments to see if you are eligible for an increase in your pension. If you were previously not eligible for the Age Pension because of the value of your assets, you should also contact Centrelink to see if you are now eligible.

Frozen assets

If your assets have been frozen, but you are still drawing a regular income from those investments, Centrelink will continue to count the value of the income and assets as normal. However, if you need money for other urgent purposes, you should speak to Centrelink's Financial Information Service on **13 23 00** about your options, such as an Advance Payment.

Frozen assets and income

While Centrelink will count the value of frozen assets and income, you should contact Centrelink on **13 23 00** to arrange to speak to a Centrelink Financial Information Service Officer. In some instances, you may be eligible for a temporary exemption under the hardship provisions.

Failed company

If you have invested in a company that has failed and a receiver or administrator has been appointed, you can contact Centrelink on **13 23 00** to discuss eligibility for assistance or a possible increase in your pension. In some cases, deeming exemptions can also be sought.

ASIC

Frozen mortgage funds

ASIC will facilitate early withdrawals from frozen mortgage funds where there is hardship. This relief will be given on a case-by-case basis, where you are able to satisfy the operator that you meet one of the following criteria:

- You are unable to meet reasonable and immediate family living expenses.
- On compassionate grounds (such as medical costs for serious illness, funeral expenses, to prevent foreclosure).
- In the case of permanent incapacity.

The hardship withdrawal is capped at the lesser of:

- The specific amount requested under the hardship withdrawal request; or
- \$20,000 per member plus 50 per cent of the balance of the member's investment in the scheme.

Indirect members of frozen funds

ASIC has also provided additional relief to permit hardship withdrawals for indirect members of frozen funds. A frozen fund that has the benefit of this relief is able to accept hardship applications from members who invested in the frozen fund through intermediate structures such as superannuation funds, other managed investment schemes or investor directed portfolio services. Those wishing to apply for the relief should contact Kathleen Cuneo at ASIC on **(02) 9911 2166**.

Improving your home security

There's a mistaken belief that older people are vulnerable to crime and live in fear. The reality is rather different. Not only are seniors the least likely age group to become victims of crime statistically, they generally contribute to their own safety through their lifestyles.

Seniors are more experienced and wiser. They tend to spend more time at home, are less likely to interact with offenders and don't place themselves in high risk situations like people in other age groups.

Nonetheless, it's still important to be able to recognise crime risk situations and to take proactive steps to prevent them.

Here are some tips from the NSW Police Force and other government agencies on how you can improve your home safety and security.

Home security tips:

- Arrange to have regular contact with someone you trust.
- Leave spare keys with a trusted friend, never in hiding places.
- Keep the outside of your home well lit at night or consider a sensor light that turns on with movement.
- Trim hedges and trees to allow a clear view of the house.
- Keep all garden tools in locked sheds.
- If you hear a noise at night, turn on all the lights.

- A telephone with pre-programmed numbers in the bedroom will allow quick access to emergency services.
- Number your house clearly so that emergency services and police can find you quickly.
- When you are at home, lock all doors.
- Keep a photographic record of your jewellery and engrave all portable items with your name, address and licence number.
- Don't keep large amounts of money in the home.
- If you have deadlocks, keep the keys in the locks on the inside when you are home, in case you need to leave in an emergency.
- If you live alone, don't publicise this.

When unknown visitors come to the door

- If you're not sure who it is, don't open the door.
- If someone is at the door and you are alone, pretend someone else is there.
- Be suspicious of people wanting to enter your home. Ask for identification, look at it carefully and contact their office for verification.
- If someone wants to use your phone for an emergency, offer to make the call for them, but keep them outside.

We can help you with more than just your pension



Looking to make further investments?

We can help you.

Are your family members looking for a flexible home loan? **We can help you.**

Looking to create an estate plan to protect your assets in the event of your death? **We can help you.**

Call **1300 883 788** for more information.

Fair Go



The Grace Hotel - Sydney

The Grace Hotel is a 4½ star hotel housed in the elegantly restored 1930 Neo Gothic Grace Building with charming Art Deco interiors.

Situated in the heart of Sydney's CBD, it's only minutes walk from retail outlets, theatres and cinemas, Darling Harbour, Sydney Convention Centre, Star City Casino and Chinatown

Members receive a 5%* discount off the best available rate of the day on Superior and Deluxe rooms, with rates starting from as little as \$171 per night for a Superior room.

For more information and online quotes visit www.futureplus.com.au Fair Go section or call The Grace Hotel directly on **1800 682 692** and quote Promo Code: Member Benefits.

* Terms and conditions apply.

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Thrifty, one of Australia's largest vehicle rental companies, is offering members exclusive rates on Australia's most diverse range of cars, trucks, buses, 4WD's & luxury vehicles from over 260 Thrifty locations nationwide.

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To book online visit www.futureplus.com.au or call Thrifty Australia on **1300 367 227** and quote your Corporate Discount (CD) Number: FAIRGO

Seminars

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

Pre-retirement seminar timetable

Please note: Evening sessions run from 5.30pm–9.00pm

2009 Pre-retirement Seminar Schedule

| Date | Location | Day / Night |
|--------|--------------|-------------|
| 11-Feb | Blacktown | Night |
| 24-Feb | Bathurst | Night |
| 24-Feb | Newcastle | Night |
| 10-Mar | Orange | Night |
| 10-Mar | Forster | Night |
| 11-Mar | Parramatta | Night |
| 12-Mar | GyMEA | Night |
| 17-Mar | Batemans Bay | Night |

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

It couldn't be simpler.

What's on in NSW?

Flowing Festival

When: 21 - 22 February
Where: Banjo Paterson Park, Jindabyne.
What: A weekend of activities centred on Lake Jindabyne and featuring local musicians, children's programs, amusement rides, food stalls, a twilight concert and the second Lake Jindabyne Dragon Boat Challenge.

Find out more: Phone **02 6456 3876** or visit www.floatingfestival.com.au
Entry is free!

Central Coast Country Music Festival

When: 6 - 8 March
Where: Various venues in the Wyong Shire.
What: Features 40 Australian country music artists performing in 20 venues. Includes the Central Coast Ute Show, double decker country music bus tours and lake cruises, market stalls, poets breakfast, farm machinery and woodturning displays, children's rides, Tex Morton Museum and buskers.

Find out more: Phone **1800 335 377** (Toll Free) or visit www.theentrance.org

NSW Seniors Week

When: 15 - 22 March
Where: Venues across NSW.
What: A week of celebrations for older people, with more than 700 free or discounted events planned across the state.

Find out more: Phone **13 12 44**, visit www.nswseniorsweek.com.au or pick up a program at your local club.

Life in a 1940s house

When: 22 March
Where: Chifley Home, 10 Busby Street, Bathurst.
What: Join in a special 1940s day at the Chifley Home. Discover how people dressed, how they were entertained and the types of food they ate.

Find out more: Phone: **02 6332 1444** or visit www.visitbathurst.com.au

Kurri Kurri Nostalgia Festival

When: 27 - 29 March
Where: The Main Street, Kurri Kurri.
What: Great bands and a chance to show off your hot rod or classic American car.

Find out more: Phone **02 4936 1909** or visit kurrikurnostalgiafestival.com.au/ind
Entry is free!

How have investment markets performed?

The impact of slowing world economies, volatile global markets and the credit crunch combined to make 2008 a challenging year for many of those invested in anything other than cash and government bonds.

It all started with the bursting of the US housing bubble, which exacerbated the subprime mortgage crisis and soon mushroomed into the worst credit crisis in a generation. Lenders stopped lending, unemployment started rising and consumers put a break on their spending, hurting world economies and especially the US.

Fear escalated and confidence was further eroded when Lehman Brothers declared bankruptcy in September. Some of the world's most respected financial institutions had to be bailed out by their governments while short sellers and calls

on margin loans forced markets down even further. All of this led to a particularly harsh December quarter for world share markets, although some markets improved in the month of December.

As the year drew to an end, all hopes were being pinned on the stimulus packages introduced by many governments, including Australia. In December, pensioners and families received an \$8.7 billion cash boost as part of Prime Minister Kevin Rudd's plan to encourage Christmas consumer spending to boost the economy. The Reserve Bank of Australia also cut official interest rates by 1% in December making a total reduction in interest rates of 2.75% for the quarter.

Continued on next page...

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

Shop 2/209 Baylis St

Wollongong

Shop 2/60 Burelli St

Albury*

621 Dean St

Office hours 8.30am - 5.00pm
Monday - Friday

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

How have investment markets performed?

Continued from previous page...

The market commentary below is provided to give an indication of the various factors affecting the investment performance of individual asset classes. It is based only on the gross performance of the relevant market index and no allowance is made for taxes or fees as they apply in your superannuation investment. It is provided merely as an indication of relative performance between asset classes and should not be used as a measure for judging the performance of your investment strategy.

Australian shares

A fall of 20.2%* in the December quarter contributed to Australian shares' worst year on record in 2008. Markets were ruffled by the slowing of world economies, the failure of some revered organisations abroad and the liquidity crisis. Companies began revising their earnings forecasts and short sellers stepped in to further drive share prices down (until the Government banned them from doing so).

Despite a late rally in December local equities ended the year down 40.4%* worse than the 32% fall during the oil shock of 1974 and the 34% drop in 1930, during the Great Depression.

Larger listed companies fared better than small ones, and Australian shares performed worse than those in US and UK because they were coming off record highs.

* as measured by the All Ordinaries Accumulation Index.

International shares

Following a 21.7%* slump in the December quarter, global shares were down 40.3%* in \$US terms over the year as the credit crisis and poor economic outlook led to a deterioration in investor confidence.

US equity markets fell less than many other markets. The Dow Jones finished the year down 33.8% - its worst year since 1931 - and the broader S&P 500 index was 38.5% lower. The US was officially declared to be in recession in December but it is hoped that the US housing market will recover as a result of new president Barack Obama's spending plans.

Lower interest rates helped lift some Asian and European markets in December, but failed to halt sharp declines for the year. However, none fared as badly as Iceland, which

sank 89.98% after the country was effectively declared bankrupt in October, or Russia, which lost 74.3%.

* as measured by the MSCI World Accumulation Index.

Listed property trusts (LPTs)

Australian LPTs slumped 33.2%* in the December quarter and 55.3%* over the year. In recent years, many LPTs had moved away from being conservative collectors of rent and had become highly geared, relying heavily on borrowings to grow their businesses. The global credit crunch pulled the rug from under them as access to funding dried up and exposed some poor judgement amongst managers. Cash strapped, several put properties up for sale while investors worried that property values and vacancy rates would decline as the economy deteriorated.

Globally, LPTs fared only a little better, falling 39.3% in the December quarter and by 45%** over the year, but strong gains in the European and US markets in December helped ease their decline.

* as measured by the S&P/ASX 300 Prop Trust Accumulation Index.

** as measured by the UBS Global (ex Australia) Property Investors Net Index \$A hedged.

Fixed interest and cash

Government bonds were star performers. Their yields were pushed lower when investors rushed into these safer assets to avoid turmoil elsewhere, and demand rose. They performed well in the last quarter as returns on cash fell when interest rates were lowered around the world.

Corporate bonds didn't fare nearly as well. Their illiquidity remains a problem and there are concerns that the risk of default may rise given tightening economic conditions in many countries.

Australian bonds returned 6.3%* in the December quarter and almost 15%* over 2008. Globally, bonds were up 4.8%** over the quarter and 9.2%** for the year.

The Reserve Bank of Australia lowered its official cash rate from 5.25% to 4.25% in December and interest rates fell in many other countries too. As a result, cash returned 7.6%[^] over the year, but only 1.7%[^] in the last quarter.

*as measured by the UBS Australia Composite Bond Index.

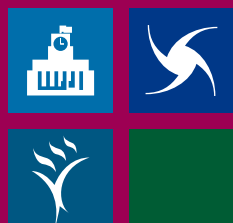
**as measured by the Barclays Capital based Aggregate Index - \$A hedged.

[^]as measured by the UBS Australian Bank Bill Index.

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.

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