

Are we there yet?

**An update from Michael Block,
General Manager - Investments**



The question that I am asked most often is whether the market has reached a bottom and will things stop getting worse.

The answer is that I don't know. Nobody does.

So you might then ask me, if I don't know whether share markets will improve, do you

suggest that certain investors continue to hold growth assets in this environment?

Yes and here are my reasons:

(1) Predicting equity returns in the short term is not easy and often not possible. That is because equities regularly make annual returns of anywhere between -30% and +50% and occasionally even worse than that.

Thus, your guess is as good as mine as to what the return from equities will be over the next year. Pick a number anywhere between -30% and +50% and you have as good a chance of being correct as the next person, no matter how expert they believe that they are.

However, as the time period gets longer, the range of returns from equities gets lower and the return gets more certain. Over the long term, equities have returned 7% to 11% and have generally been a good long-term investment.

Even though I am suggesting that experts are no good at picking short-term movements, there is a very good chance that they will be right in the long term.

So, what I am saying is that there can be some bad periods, but if you stick with a well considered portfolio suited to your particular needs, which may include growth assets such as equities, it is a reasonable expectation that your return over a longer time period will be good and better than cash or fixed interest.

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

- Relief on pension drawdowns
- Proposed laws that may affect Health Card eligibility
- The many benefits of volunteering
- How to get the best home loan deal
- The importance of drawing up a will
- The latest from Fair Go
- What's on in NSW
- Seminars
- Investment market commentary

(2) A 50 year old is likely to live beyond 80 years of age and as such should plan for the long term.

Cash will not and has not provided a good investment return over long periods and therefore may only be suited as a temporary place to store investment funds or where an investment is for a shorter term.

(3) With bonds and cash paying a low rate of return (under 4%) and equities being more attractively priced than previously, the odds are even better that equities may return better than cash and fixed interest in the future.

(4) There is a theory called mean-reversion that suggests that investment returns will eventually get back to their average over time.

Based on data from one of the world's leading fund managers, Jeremy Grantham of GMO, mean-reversion suggests that equities will make a good positive return over the next 7 years.

So what do you do now?

Hang on, be prepared for more volatility, and make sure that your investment plan is suitable for you, whether this is for the long or short term.

Of course these are only general views, not financial advice, and you should seek personalised and professional advice from your financial planner before making any investment decision.

Relief on pension drawdowns

To assist pensioners during the global financial crisis, the Government has announced a 50% reduction in the minimum drawdown requirement for account-based pensions for the 2008/09 financial year.

The move, which also applies to allocated and term allocated pensions and annuities, will provide relief to those who would have had to sell investment assets just to meet the minimum drawdown requirement and are thus being forced to realise losses on their investments in a depressed market.

Compulsory minimum payments are determined by age and the value of the account balance as at 1 July each year. They were originally put in place to prevent the use of pensions as a tax break.

This move addresses the concern that the minimum drawdown requirement was set, based on asset values as at 1 July 2008, when equity values were higher.

If you have already taken half of the current minimum payment for 2008/09, the annual nature of the minimum payment rules means that a further payment will not be required until the end of the 2009/10 year.

If you have not yet received any pension payments this financial year, you will have to draw down 50% of the minimum amount by 30 June 2009.

Remember that the Government's announcement only applies to the minimum amount so you are still able to draw down higher pension payments if you need to. It is also possible that a change in your pension draw down amount may affect your Age Pension entitlement.

To reduce your pension draw down or to find out more about the changes, please call **1300 883 788**.

Changes may affect Health Card eligibility

As part of its Income Test Reform program, the Government has introduced legislation into Parliament which could be bad news for some Commonwealth Seniors Health Card (CSHC) holders and those claiming tax deductions for personal superannuation contributions under the 10% test.

If the laws are passed, the CSHC income test will be broadened to include in adjusted taxable income the following amounts from 1 July 2009:

- Tax-free superannuation pension payments
- Tax-free superannuation lump sum payments
- Salary sacrifice superannuation payments (excluding SG requirements)
- Personal superannuation contributions which are tax deductible.

Also included in the calculations could be any tax-free lump sum withdrawals from your super fund – for example, to pay for unexpected medical expenses or to enter an aged care facility.

These changes may push some seniors over the adjusted taxable income limits for the CSHC. At present, individuals with adjusted taxable income of under \$50,000 and couples with an income of less than \$80,000 are eligible for the card.

There's also bad news for those who have received a tax deduction for personal contributions into superannuation if less than 10% of income was earned from working. How much they can contribute to superannuation in order to receive a tax deduction may be limited in the future.

If you are likely to be affected by either of these changes and would like to discuss your options with one of our qualified planners, please call **1300 883 788**.

We can help you with more than just your pension

- Looking for advice about investing?
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.

Errol aces the master class

Errol Umar, a financial planner in our Sydney office, has emerged as one of the top 50 "money makers" in AFR Smart Investor's master class this year.



Entrants had to take an exam with over 200 questions, quizzing them on the rules and regulations applying to financial planning and how to best apply them in different circumstances.

Errol, who has completed an economics degree at Macquarie University, has been in Financial Planning since 1998. He has also completed the Advanced Diploma in Financial Services (Financial Planning) and continues to study further, beyond his compulsory ongoing training requirements.

The benefits of volunteering



Got some spare time and would like to give something back to the community? Perhaps volunteering is the option for you. Not only will you be helping others and meeting new people, you will be building new skills and experiencing new challenges.

And, as tough economic conditions start to bite, Australia's not-for-profit organisations are doing it tough and need your help more than ever. Not only are donations from individuals and companies falling off, the demands they face from the community are rising.

While exact figures are hard to come by, researchers estimate the monetary contribution of volunteering in Australia to be in the tens of billions annually.

And, it can be incredibly rewarding. For example, you can help make the world go around by transporting frail and elderly people to shops or other medical appointments, delivering goods and even save lives by providing first aid, fighting fires or repairing storm damage.

Because different things make different people tick, you also need to assess what kind of work you'd enjoy doing for a charitable organisation – for example, using your contacts to raise money, working one on one with someone in need or providing administrative support.

Before you start, it might be a good idea to chat to other volunteers to get a sense of what it's like to be part of the organisation and what kind of commitment is required. If you are interested in a particular organisation, it is a good idea to read its brochures and promotional material.

One of the easiest ways to find a suitable volunteering role is to visit the website of GoVolunteer (www.govolunteer.com.au), a free online volunteer matching service which lists thousands of volunteer roles.

For information on volunteering, you can also phone Volunteering NSW on **(02) 9261 4033** or visit **www.volunteering.com.au**

Fair Go - Australian Reptile Park



Save \$3.00 off gate entry to Australian Reptile Park or bring along a child/grandchild for FREE.

More than ever, the multi-award winning Reptile Park provides a full day of captivating entertainment within the magic of the Australian bush. Founded by the late and great Eric Worrell the Reptile Park to this day still provides the precious droplets of venom needed for Australia's snake and funnel-web spider anti-venom program.

The Australian Reptile Park is located at Somersby on the NSW Central Coast, midway between Sydney and Newcastle and just 2 minutes from the Gosford exit off the F3 freeway - just follow the signs. A perfect stop when visiting Hunter Valley, Barrington Tops and Port Stephens.

As a Fair Go member, please present your membership card to receive \$3.00 off gate entry for Adults/Concessions or bring along a child/grandchild for FREE. One child/grandchild FREE per one Fair Go member.

Australian Reptile Park
Pacific Highway
Somersby NSW 2250
ph: 02 4340 1022
www.reptilepark.com.au

*Not available for groups, with any other discount or promotional offer or a family ticket.

Getting the best home loan deal



Are you considering downsizing, a sea change or taking out a mortgage on your home?

If you are, it's vital to obtain the best possible mortgage rate even if interest rates have been coming down.

Every unnecessary cent paid is money down the drain, which could have been better invested to help you boost your retirement nest egg.

When looking for a mortgage, remember to ask for the Comparison Interest Rate schedule. By law, this schedule should be displayed wherever a loan product is sold. To help consumers compare the interest rates of one lender's products to another, it must include the interest content of the loan together with all fees charged.

So, if Bank A displays an interest rate of 5% a year and has no fees and we compare it to Bank B, which also has an interest rate of 5% but charges fees such as an establishment fee of \$600 and a monthly maintenance fee of \$10, you'd soon know which bank to choose because the Comparison Interest Rate for Bank B would be higher than Bank A.

Also, when asking for the Comparison Interest Rate, make sure it's for the amount you want to borrow. The advertised rates are usually based on a loan of \$150,000 over 25 years

because it would be very difficult for banks to advertise rates for all the different loans available.

But asking for the Comparison Interest Rate isn't enough. There are some items that are not included in the comparison interest rate, such as an early repayment fee, government charges (stamp duty, registration of mortgage fees etc). So it's vital to also ask your lender about these.

And, before you start, remember that as one of our valued customers, you are able to secure one of the most competitive home loans in the market from Chifley Home Loans.

Chifley Home Loans offers you low interest rates, a choice of loans to suit your circumstances and a simple process that takes all the hard work out of getting and maintaining your home loan.

Some of our Home Loan features include:

- Application fee - \$0
- Monthly account keeping fee - \$0
- Split loan fee - \$0
- Electronic redraw fee - \$0
- Free redraw facility - yes

For more information on Chifley Home Loans, call **1800 800 002**.

Seminars

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

2009 Pre-retirement Seminar Schedule

Date	Location	Day / Night
12 May	Crookwell	Night
13 May	Wyong	Night
27 May	Burwood	Night
28 May	North Ryde	Night
17 June	Wagga Wagga	Night
17 June	Dee Why	Night
8 July	Gosford	Night
15 July	Parramatta	Night
21 July	Berrydale	Night

To view further seminars throughout the year go to www.futureplus.com.au/seminar/seminar.asp

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

Trust Deed change

Local Government Super members only

You may have seen or read in the media that a number of mortgage funds have recently put a temporary "freeze" on making payments.

This is obviously very distressing for investors wanting to access their money.

The two factors that tend to result in such a "freeze" are: one, a large proportion of the investment being tied up in assets that take a long time to sell (e.g. property) and two, rapidly falling asset values which make it difficult to get an accurate assessment of what these assets are really worth.

With any investments that are held in a trust (such as Local Government Super) you need to ensure that all members are treated fairly. So it is important that exiting members get a correct payout value, because if you overpay or underpay them it affects the value of the remaining members' entitlements.

So while delaying payments is not something you would normally want to do, it may be necessary in certain circumstances to ensure that the payment is based on "fair value".

Local Government Super has recently amended its trust deed to allow it to temporarily suspend striking unit prices (including paying benefits) should this type of situation emerge. However, the chances of this occurring are extremely low, as we have strict policies that limit our exposure to illiquid assets.

Any temporary suspension of unit prices will likely only be for a short time as (like all superannuation funds) we are required by law to pay within 30 days of the receipt of all documentation. Any delay beyond this requires regulator consent.

What's on in NSW?

Scone & Upper Hunter Horse Festival

When: 1 - 17 May
Where: Scone
What: Scone is the Horse Capital of Australia and this festival celebrates the place where horses reign. Includes thoroughbred shows, horse competitions, rodeos, dog trials, thoroughbred stud tours as well as arts and craft shows, balls, line dances, discos, parties, fetes and fairs.

Find out more: Visit www.horsecapital.com.au/festival

Lovedale Long Lunch - Lovedale

When: 16 - 17 May
Where: Scone
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

Cronulla's Food and Wine Festival, Jazz & Shiraz

When: 30 - 31 May
Where: Dunningham Park, North Cronulla Beach
What: Fine food, quality wine, cocktails and beer and 50 stalls.

Find out more: Phone 02 9527 2100 or email: cronullabeachcbd@ssc.nsw.gov.au

The Henry Lawson Festival of Arts

When: 4 - 8 June
Where: Grenfell
What: Promotes aspiring Australians in various fields of arts such as verse, short story, song, art, photography and television. Children are also given the opportunity hone their skills. The program also includes a concert, guinea pig races, market stalls, poetry readings, a school drama day, street activities, and much more.

Find out more: Visit <http://grenfell.org.au/henrylawsonfestival/index.htm>

Having the last say

It's estimated that roughly half of all Australians die without leaving a valid Will. That means they die intestate and their assets are distributed according to legal formulas and possibly not in the way they would have wished.

By not planning properly, they may create financial hardships for those they love and their hard earned assets could end up in the wrong hands. Their families may also be forced to pay unnecessary taxes.

By drawing up a valid Will, you can have the last say on who you'd like to look after your estate and where your hard earned assets go.

As a member, you are able to take advantage of the Fair Go Will Service.

It provides you with two options for creating your Will online - for as little as \$25!*

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, select the Fair Go menu, and then click on Estate Planning to make out your Will today.

* Price refers to DIY Will for a single person.

PRICING

DIY Will

- Single - \$25
- Couple - \$40

Solicitor Will

- Single - \$135
- Couple - \$220

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?

During the first quarter of 2009 the Australian government announced a large spending package worth \$42 billion over four years. Around \$12 billion will be spent on cash bonuses to individual low to middle-income earners in order to provide an immediate boost to economic growth, with the remainder being spent on revenue-generating infrastructure projects over the coming years.

Globally, governments were doing their best to stabilise the financial sector with various initiatives aimed at supporting local banks, increasing consumer confidence and boosting economic activity. In particular, the US announced its US\$2 trillion Financial Stability Plan to improve conditions in financial markets.

Elsewhere, the release of Chinese GDP data was bad news for the Australian economy. Economic growth in China fell 2.2% to 6.8% for the 12 months to December 2008. This news means that demand from China is likely to fall, bad news for the Australian economy whose exports, especially raw material, are highly reliant on the Chinese import market.

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 Equities

From the beginning of January to the first week of March, the Australian stock market traded poorly with a performance of negative 15.5%. However, the market hit a potential 'bottom' on 6 March 2009, sparking a rally to the end of the month of nearly 14%. By the end of the quarter, this late rally almost made up for the prior two months with the benchmark S&P/ASX 200 index finishing down just short of 2% for the quarter. The meeting of the G20 may have gone some way to spark this recovery as investors saw decisive action from world governments to improve economic conditions as a big positive for financial markets. Another support for the rally was a growing belief amongst certain investors that certain stocks and sectors had been oversold. It remains to be seen

whether the bargain hunters are correct in their belief that the bottom of the market has been reached but, in the short term at least, it appears as though investors are slowly regaining confidence in equity investments and returning to the market.

International Equities

A very similar story can be told for international stock markets. The late rally seen in Australia was repeated in world stock markets although more modestly. The main difference was that the first two months of the quarter were much worse than the domestic market. The benchmark for world stock markets, the MSCI World Ex Australia index, lost 15.9% (on a hedged basis) through January and February so the late rally had a lot more work to do to recapture those falls. The rally only recouped 6% and by the end of the quarter the benchmark was still down nearly 11% showing that there is still a long way to go before this market regains its equilibrium.

Listed Property

Listed Property investments continued their recent poor returns through the first quarter of 2009 and did not enjoy the same recovery as seen in the wider stock market. The benchmark S&P/ASX 200 A-REIT index finished the quarter down more than 24% as the process of de-leveraging continued.

Cash and Fixed Income

The Reserve Bank of Australia cut interest rates by an expected 1% to 3.25% in February with a similar trend emerging around the world as central banks tried to encourage economic activity through monetary policy.

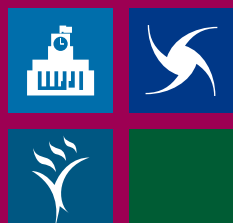
Cash and Fixed Income investments over the quarter continued to provide a 'safe haven' for investors looking outside of equity markets. Benchmark returns for the quarter ranged from 0.2% to 3.1% depending on the nature of the investment, with inflation linked bonds coming in at the top of this range due to the interest rate cuts.

The credit sector remained volatile during the quarter with the benchmark, Barclays Capital Global Credit index, returning a negative 0.6% during this period. A lot of doubt still exists around credit investments following the seemingly impossible collapse of high-profile investment banks at the end of last year.

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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