

FINANCIAL PLANNING

NEWS



Chifley Financial Services Update

June 2006 Quarter

What the 2006/07 Federal Budget means for you



Widely welcomed changes announced in the Federal Government's 2006/07 Budget are set to overhaul the superannuation system. Several of these changes are likely to affect how you manage your money in retirement, and if you are already retired, we recommend that you take this opportunity to discuss your personal situation with your financial planner. Please call 1800 800 002 if you have any questions about how the changes may impact you.

Most of the changes are proposed to take effect from 1 July 2007, but at this stage, they are merely proposals which still have to be passed into law. Transitional arrangements are also expected to be introduced to ensure that those who have put plans in place to retire within the next few years are not disadvantaged by the changes.

What the Budget means for you if you are planning your retirement

In the past, your super contributions have been taxed at up to three points: when you contribute to super, on the returns earned while your super is invested and when your withdrawal benefit is paid.

The Budget proposals have now removed the last point of taxation: when you take your end benefit in a lump sum or as a pension on retirement, but only if you are aged 60 or over.

Reasonable Benefit Limits (RBLs) have also been removed – an initiative that will greatly reduce the complexity of retirement calculations. For this reason, it is advisable to review your strategies if RBLs have been a focus in your retirement planning. For example, strategies such as a complying pension, or splitting your super contributions with your spouse may no longer be your best options.

What the Budget means for seniors

If you are eligible for the Senior Australians Tax Offset, the effect of the tax changes means that you won't pay any tax if your income is less than \$24,867 (singles) or \$41,360 (couples).

The Government will also make a one-off payment of \$102.80 to households with a person of Age or Service Pension age who is eligible for the Utilities Allowance and to self-funded retirees who are eligible for the Seniors Concession Allowance.

Proposed changes to the Age Pension assets test mean that from 20 September 2007, the rate at which a pension reduces for pensioners above the relevant asset test threshold pension will halve to \$1.50 per fortnight per \$1,000 of assets. However, the partial exemption available to some income streams will be removed where they are purchased on or after 20 September 2007. At present, only 50% of the value of these pensions counts towards the assets test.

What the Budget means if you are planning to retire before age 60

Very little has changed for people planning to retire before age 60 as a result of the budget. Concessional tax treatment on Super continues to be available (as was the case prior to the budget) and will be simplified. For those with amounts close to current RBLs, it is an opportunity to review your position with a planner.

What the Budget means if you're receiving an allocated pension

Allocated Pension rules will be simplified. The minimum amounts will be simplified and the current maximum amounts removed. Further, all pension income will be tax-free (after age 60) and the earnings within the fund will continue to be tax-free regardless of age.

What the Budget means if you have ceased employment and don't want to access your super

Money can now be retained in the super environment for as long as desired – all maximum age requirements will be removed. This means that over 65s can stay in the accumulation phase of super indefinitely and will no longer be work tested. However, careful consideration of the appropriateness of leaving money in super as opposed to taking up an allocated pension should be discussed with a planner because of the different tax rates that apply on the earnings.

IMPORTANT REMINDER: While the Budget announcements have been widely welcomed, they are only proposals at this stage and still have to be passed into law. Before changing your superannuation arrangements, it is important to remember that after consulting with the superannuation industry in the next few months, the Government could alter or refine its proposals.

Don't let giving come back to hurt you

Rising property prices are increasingly making it harder for younger people to get a foothold in the property market. But if you are thinking of helping your children buy their own home, make sure you get the necessary advice before proceeding with any action! Your generosity could come at a cost to your own financial security and family harmony. There's plenty that can go wrong.

Firstly, there's always the unpleasant risk that your child may, for what ever reason, not be able to repay the loan.

Secondly, if you have acted as the guarantor of your child's loan, your own assets may be at risk if your child defaults on the mortgage and you can't repay the loans yourself.

In addition, you could lose out if your child gets divorced. Depending on the situation and what documentation is in place, the courts may not view your generosity as a loan and your son- or daughter-in-law could walk away with some of your money as part of their settlement.

Where your child separates from their spouse, their house may have to be sold and as a forced sale, this could be at a loss. If you have used your own home as security and there is a shortfall on the forced sale, your home could be on the line.

All this said, lending support in this way to a child can be a rewarding experience for all involved. The point is that you need to protect yourself. One way to do this is to have a deed of loan and a mortgage between yourself and your child. This will lead to a different outcome in the courts to one where there is no paperwork. Indeed, it's best to seek legal advice before offering the loan. This may cost you now, but it could avoid much heartache in the future.

Remember also that if you receive any Government support such as an Age Pension, any money lent to your children has to be reported to CentreLink and will be treated as an asset. This may affect your eligibility for social security entitlements so it is advisable to talk to one of our financial planners if you have concerns. Please call 1800 800 002 if you have any questions.

And, if your child is looking at buying a home, don't forget that as a member of this Scheme, you can help them obtain one of the most competitive home loans on the market – from our Home Loans Team. As a member, you can access a range of low cost, no-nonsense home loans. To find out more, call the Home Loans team on 1800 800 002.



Investing can be a bumpy ride



After almost three years of very strong returns, share markets have been rather volatile in recent months. However, the advice from the experts is: "Don't panic!"

They caution 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.

So, what should you do given that the outlook for world share markets remains uncertain?

Firstly, it's 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 will need to be invested e.g. a person aged 60 now has a time frame of at least 20-25 years or much longer.
- Because of your level of risk tolerance.
- To diversify your investments and spread your risks.
- Because it's generally the right strategy for your life stage.
- To maintain your standards of living in retirement.

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 gets a bit bumpy.

Many advisers warn against trying to pick the market cycles because most investors rarely get the timing right. Instead, they say 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.

However, if you feel uncomfortable with this approach, or believe that this is a good time to review your investment portfolio, you can call 1800 800 002 to speak to one of our planners at no additional cost.

What to consider before buying into a retirement village



Buying a unit in a retirement village has many advantages. It could help you make new friends, get rid of many of the problems involved in maintaining your own home, and provide you with a secure, comfortable and peaceful environment to live in.

But it's also a crucial decision and one that could have serious implications for your retirement finances and happiness if you get it wrong. The Retirement Village Residents Association secretary, Neville Carnegie, provides the following advice and list of factors to consider before buying into a retirement village:

- Don't make any commitment to a sales representative until you have advice from a solicitor and an accountant who are knowledgeable about retirement village contracts. Have your advisers told you about the effect of your particular state's legislation on contracts?
- Don't get carried away with water or bushland settings promoted by operators. A village is generally your final home and it is the practical issues that are the most important. Being close to public transport, shopping and medical centres is critical when you can no longer drive yourself. A village bus may be available for shopping trips, but not always at the times that are most convenient to you.
- Do not make a quick decision. Look at a number of villages. Compare the services, facilities and financial costs. Get an accountant to examine the financial statements an operator must make available to you. Speak to other residents at the village to get their views on the quality of management and the costs involved.
- Examine what you will need if your health fails and your mobility is affected. Does the village have wheelchair, ramp or lift access? Are there grab rails provided in bathrooms and toilets?
- Most retirement villages do not provide qualified medical and nursing care. Establish what services are available and whether the costs are within your regular payments or are additional.
- Take advice from your solicitor, financial adviser or accountant about the amount you pay to buy into a village, and the amount that will be returned to you, if you subsequently decide you want to move elsewhere or ill health requires you to move to a nursing home.
- Enquire as to how many vacant units there are in the village and how long they have been vacant. The turnover of units is an indication of how long it may take you to get your money back if you decide to sell.

Re-ignite your dreams in retirement

How many ambitions have you put on the back-burner? Which of your talents have you been hiding under cobwebs? What burning issues did you want to solve before life got in the way?



When our children have gained independence and our career challenges have been met, we have an amazing opportunity to add new dimensions to our lives. It's easy! You just need to know where to start and make the first move. Here are some tips:

1 Make a list of ALL the things you would love to do in the next phase of your life. It could be anything from a new job, renovating your home, accumulating wealth or writing a book, to travelling or joining a campaign group. Albert Einstein said: "Imagination is everything." Use your imagination and pick the three ideas on your list that would make the biggest impact on your life.

2 Next, give these three ideas form. Write down or draw a picture of what achieving each of these objectives means to you. Visualise yourself with that qualification, skill or new role. If that is hard, think of a celebrity or role model and imagine how they would behave; then put yourself in their shoes. Define a time scale for the project and assign a 'best by date' to reach success. Imagine celebrating on that date and embrace the sensations of accomplishment.

3 Now, divide up each goal into small reachable chunks. Research any courses you may need to take, consider which people you need to contact or how many hours of experience you will need. Make a time line and map out significant dates for mini goals and targets.

4 Finally, share your dreams with someone else and cultivate commitment. Choose someone who is going to encourage and support you. Steer clear of any negative thinkers and allow yourself to feel joy and confidence.

Now is the best time to make your dreams come alive. You can create a future that inspires you and gives you purpose. After all, life is for living and this is your greatest opportunity. As Thomas Edison said, "If we did all the things we are capable of doing, we would literally astound ourselves".

Fair Go promotion

Score a winning deal with Homechat™

Say goodbye to out of control home phone bills with AAPT Homechat™. Pay a low monthly rate for all your local, national and international calls, as well as calls to any mobile anywhere, from your home phone (excludes some call types).

There are no lock-in contracts and no joining fees and as a Fair Go member benefit special, AAPT is offering a \$10 line rental discount which means your additional residential line rental is only \$19.95 a month. That's a guaranteed saving of \$120 every year!

Simply choose the Homechat™ plan that suits your calling needs the best:

- \$50 worth of calls for \$29 per month
- \$120 worth of calls for \$49 per month
- \$250 worth of calls for \$79 per month
- \$1000 worth of calls for \$129 per month

Plus, all calls within Homechat™ are at AAPT's competitive rates, so you won't burn through your Homechat™ value quickly.

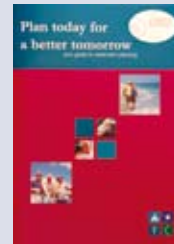
Go for Gold with AAPT Bundles

When you join Homechat™ for your home phone calling you can also score a brilliant deal with our broadband and mobile bundles.

Contact AAPT on 1800 199 001 and quote Sales ID Smartpartners 1811 or visit www.chifley.com and click on Fair Go.

This offer is available to existing AAPT customers.

Retirement Planning Booklet wins award



Your Fund's Retirement Planning Booklet recently won a Silver communications award at the Conference of Major Super Funds. This industry award is in recognition of excellence in superannuation marketing communications.

YOUR EASIEST MEAL

With life being so fast-paced these days, few of us have the time or energy to cook up elaborate meals. And, with the kids doing their own thing, who'd want to go to all that effort anyway?

If you have a recipe for a healthy, but easy and quick dish and you'd like to share it with other members, we'd love to hear from you. Please send the details to the following address:

'Editor' Financial Planning NEWS

PO Box N180, Grosvenor Place NSW 1220 or email: info@chifley.com.au

Please put the following title in the subject field: **Easiest Meal**



Meet your fund managers

One of the managers we've selected to manage international equities is Boston Company Asset Management, which is part of the Mellon Financial Corporation. It has over A\$50 billion in assets under management, of which \$6.2 billion was for Australian clients as at 31 December 2005.

The fund managers we select are part of our multi-manager approach to investments. This approach is based on research which shows that using several carefully selected investment managers in one portfolio will produce a better result, more consistently and with lower volatility, than a single manager over any reasonable period.

Different managers use different styles of investment and some styles perform better at different times of the investment cycle. By combining these different managers, we are able to remove style bias from your portfolio.

The Boston Company is an active value manager of international equities which uses both quantitative and qualitative techniques to get the best returns. It uses a bottom-up approach, focussing on

individual stock selection rather than economic and industry trends. Its aim is to uncover high quality, undervalued companies with strong balance sheets. Each share it chooses has to be attractive, not only on its own, but also in the context of the entire portfolio.

The Boston Company complements other managers looking after international equities in your portfolio, such as Alliance Bernstein (growth) and State Street Global Advisors (SSgA) (index).

Alliance Bernstein believes that research is the ultimate source of superior investment returns. Its focus is on identifying trends in global markets and selecting the fastest growing industry sectors and shares. SSgA, on the other hand, is an index manager where it invests only in the shares that make up an index.

Want to know more?

To find out more about how we diversify your investments, contact Member Services on 1800 067 059.

Parramatta office now open



We've opened a branch in Parramatta to service and bring us closer to you. It's located at 10 Smith Street and the staff there are ready and able to help you with your superannuation, financial planning, insurance, home loan and other needs. You can contact them on 9354 1400 or fax them on 9354 1410.

You are also welcome to contact us on 1800 800 002 or visit one of our other regional offices. See addresses below.

Australia's best kept holiday secrets

We're on a drive to uncover Australia's best kept holiday secrets! So, if you've recently discovered an outstanding place, or had a particularly special holiday, please let us know. We'd love to share your experiences with other members in the next edition of Financial Planning NEWS.

Send the details in 100 words or less and a photo, if possible to the following address:

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PO Box N180, Grosvenor Place NSW 1220 or email: info@chifley.com.au

Please put the following title in the subject field: **Holiday Secrets**

Seminars

It's a fact that we are now living longer, which means that your retirement period could last up to 30 years or even longer. This makes careful planning for your retirement even more vital as you will need to make sure your savings last the distance.

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 Fund?

For a full list of seminars, visit www.chifley.com or phone 1800 067 059. The Member Services team can also book you a place at a seminar.

The following lists those that are coming up in the next couple of months:

Date	Location
15 Aug	Bathurst
16 Aug	Queanbeyan
17 Aug	Goulburn
24 Aug	Albury
09 Sep	Liverpool
12 Sep	Newcastle
12 Sep	Tamworth
13 Sep	Moree
14 Sep	Glen Innes
26 Sep	Arncliffe
27 Sep	Deniliquin
28 Sep	Griffith

Regional office details are:

Lismore

81-83 Molesworth St

Newcastle

161 King St

Orange

187 Summer St

Parramatta

10 Smith St

Sydney

28 Margaret St

Wagga Wagga

2/209 Baylis St

Wollongong

Shops 2 & 3, 60 Burelli St

Albury*

621 Dean St

Goulburn*

148 Auburn St

* Note: Albury and Goulburn are staffed at least one day per month. Call 1800 067 059 for an appointment.

Investment & market commentary

Uncertainty about economic growth and inflation, especially in the US, weighed heavily on investors' minds during the June 2006 quarter. The worry was that if US inflation continued to rise, it would lead to higher interest rates which would, in turn, lower global economic growth and weaken commodity prices.

After a strong run in the first three quarters of the 2006 financial year, global share markets hit some turbulence in the last two months of the year, ending the quarter in negative territory.

Australian shares

Australian shares ended the quarter down 0.2%, becoming rather volatile as fears grew about US inflation and interest rates. In May, the local market experienced its largest one month fall in over three years, losing almost 5%. A rush of merger and acquisition activity made headlines during the quarter.

Despite a bumpy finish, Australian shares still rewarded investors with a 23.9% return for the year to June 2006, thanks to buoyant global demand for resources and high commodity prices during the year.

Overseas shares

After strong earlier runs, world share markets fell almost 4.6% during the quarter (1.5% was due to a weaker Australian dollar) due to worries about US inflation and interest rates. In the US, the Dow Jones returned 0.7% for the quarter, the S&P500 fell 1.7% and the NASDAQ slumped 7.1%.

Nonetheless, world share markets were still up almost 20% (on an unhedged basis) for the full year. Although still a star performer for the year, Japan showed the biggest fall of 7.5% during the last quarter. European markets (not including the UK)

declined by 4.4% while emerging markets were 2.9% lower for the quarter.

Listed Property Trusts (LPT)

Despite being negatively affected by rising interest rates, the Listed Property Trusts ended the quarter up 4.5% as investors sought safety in defensive assets to escape the volatility of the broader share market. This helped LPTs to their seventh straight financial year of double digit returns – they gained 18% for the year.

Fixed interest

Government bond yields around the world increased throughout the quarter, as central banks continued to tighten monetary policy on the back of global inflation concerns. Locally, the Reserve Bank lifted interest rates by 0.25% in May. US 10-year bond yields rose from 4.89% to 5.19% over the quarter, while Australian 10-year bond yields gained 0.36%.

Australian bonds overall returned only 3.4% for the financial year to end June, while international bonds were up 5.8% and both underperformed cash for the second time in the past three financial years.

Cash and currencies

Cash returned 1.4% for the quarter and 5.8% for the full financial year. The Australian dollar began the quarter strongly, thanks to strengthening commodity prices. But, as commodity prices slumped, it lost ground to most major currencies. It was also affected by changing expectations for US interest rates. Over the quarter, the Australian dollar fell 2.3% against the British Pound and 1.4% against the Euro, but gained 3.6% against the US dollar

What's on in NSW?

16th Annual Dubbo Jazz Festival

When: 11 - 13 August 2006

What: Includes Piano competition, Jazz breakfast, Gospel Service, free music.

Where: Dubbo RSL Club, Brisbane Street, Dubbo

Find out more: Phone 02 6882 4649 or visit www.users.bigpond.com/dubbojazz

Cost: Entry is free

Penrith Show

When: 26 - 27 August 2006

What: Includes grand parade and fireworks spectacular, equestrian events, wood chopping, trotting, Olympic hurdling, iron man and woman competition, side shows, exhibitions, dog show, fruit and vegetable, harness racing, carnival rides, displays and other live entertainment.

Where: Penrith Showground.

Find out more: Phone 02 4721 2375

Australian Springtime Flora Festival

When: 7 - 10 September 2006

What: Close to 300 exhibitors celebrating the joys of spring and outdoor living

Where: Mount Penang Parkland, Kariong

Find out more: Phone 02 4385 4430 or visit www.florafestival.com.au

Mudgee Wine Celebration

When: 1 - 30 September 2006

What: Good wine, food, music and other entertainment

Where: Various locations in Mudgee

Find out more: Phone 02 6372 7409 or visit www.mudgeewine.com.au

Lismore Cup Race Day

When: 28 September 2006

Where: Lismore Turf Club Woodlawn Road

Find out more: Phone 02 6621 3176 or visit www.lismoreturfclub.com

Cost: Adults from \$15

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