

FINANCIAL PLANNING

NEWS



Chifley Financial Services Update

April 2007

Welcome to the April 2007 issue of Financial Planning News.

This issue contains:

- Information on how the latest changes to superannuation might benefit you;
- Commentary on investment market monies;
- How to save on health care costs; and
- A collection of health and lifestyle information which we hope will prove to be interesting and useful.

What the Budget means for you How the *Simplified Super* reforms affect you

The Simplified Super reforms, initially announced in last year's Federal Budget, passed through Parliament at the end of February. Here's how the changes could affect you:

Age Pension changes

If you don't currently qualify for an Age Pension, this could change as a result of adjustments made to the Asset Test and Taper Rate.

From 20 September 2007, the pension Assets Test and Taper Rate will be halved so that pension recipients only lose \$1.50 per fortnight (single and couple combined) for every \$1,000 of assets above the relevant threshold.

In addition, the assets test exemption for purchased 'complying' income streams will be removed for income streams purchased on or after 20 September 2007. The income test, however, will not change.

Allocated Pensions

From 1 July 2007 all allocated pension payments and all lump sum withdrawals will be tax free for people aged 60 years and over. Pension payments to those aged 55-59 years will be taxed but will be eligible for a 15% offset with any exempt component being tax free.

New minimum pension income rules will make it possible for your allocated pension to last longer – if you choose the minimum.

If you currently have an allocated pension, you will be able to move it to the new, minimum pension income rules without having to commute and start a new pension from 1 July 2007. A guaranteed lifetime pension provided on an arm's length basis that meets relevant existing requirements will also meet the new rules.

AP minimums until 30 June 2007	
Age	% of account balance
55-64	4.8 - 5.7
65-74	5.8 - 7.5
75-79	7.8 - 9.2
80-84	9.5 - 11.5
85-89	12 - 14.5
90-94	15.1 - 18.2
95+	18.9 at age 95

AP minimums from 1 July 2007	
Age	% of account balance
55-64	4
65-74	5
75-79	6
80-84	7
85-89	9
90-94	11
95+	14

However, if your income stream is a 'complying' income stream, you will not be able to commute and transfer to the new pension. This is because complying income streams typically involve the long-term investment of funds, and allowing you to transfer your benefits out could create potential risks for other members as well as product providers.

From 1 July 2007, transition to retirement pensions (also known as non-commutable allocated pensions or NCAP) will allow up to 10% of the account balance (at the start of each year) to be received as pension payment in any one year. Pensions that started before 1 July 2007 and complied with "transition to retirement" rules will be seen as satisfying the new requirements. Transition to retirement pensions will continue to be pension only (i.e. no lump sum withdrawals).

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 Scheme?

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

DATES	LOCATION
26 April	Port Macquarie
27 April	Coffs Harbour
28 April	Tweed Heads
05 May	Wollongong
10 May	Coonabarabran
15 May	Muswellbrook
23 May	Hornsby
05 June	Wyang
21 June	Cronulla
03 July	Orange

To attend one of our many seminars near you, call **1800 800 002**. Alternatively you can book a seat via email at info@chifley.com It couldn't be simpler. They're free and there is no obligation.

What's on in NSW?

MusicFest

When: 24 June

Where: Various locations around Sydney.

What: A chance for both amateurs and professionals to express their musical talent. In the spirit of Fete de La Musique, all performances will be live and free. Expect a huge range of sounds and styles in a celebration of live music.

Find out more: visit www.musicfest.org.au

The International Philosophy, Science & Theology Festival

When: 19-24 June

Where: Grafton

What: A unique opportunity for members of the public to hear, question and meet informally with philosophers, scientists and theologians from around the world.

Find out more: Phone 02 - 6642 8684 or visit www.pstf.com.au



In a recent edition, we mentioned that the packing of most of our seminar materials is now being done by the House With No Steps, one of Australia's leading providers of services to people with disabilities.

One of the people who work in that Packaging department is Madeleine, who has a range of physical disabilities and who joined the House 30 years ago.

When Madeleine was born, all seemed well. As an infant, her motor skills developed the same as others, she was able to put words together, was very active, climbing everywhere and so on. When she was five years old, and had just started school, she had a slight stroke which affected her motor skills. She couldn't "keep up" at her school, and transferred to one for children with disabilities, where she stayed until she was 18. During that time her condition deteriorated. Her tongue became "spastic" and she couldn't speak; her eyesight began to fade, and her motor skills worsened.

Madeleine came to the House With No Steps when she left school, and when there were limited opportunities available to her. Although she was not able to speak with others, she was delighted to be with young people and work alongside them in packaging. Because her motor skills continued to deteriorate, her parents felt they could not leave her on her own. At first her mother accompanied Madeleine to work, sitting with her on the packaging line to help her. She ended up doing this every day for 14 years. And when Madeleine's father Bill retired almost 20 years ago, he took over this role, and since then has been bringing Madeleine to work each day, sitting with her and helping her, taking her and feeding her at morning tea and lunchtime, and then taking her home at the end of the day.

Madeleine now needs 24/7 care, which her parents continue to provide themselves. Despite what others may think, Madeleine's parents feel "very lucky". "Madeleine is a joy to be around," says her mother, Maria. "She always has a smile on her face, never complains or misbehaves, is so easy to get along with, and enjoys everything so much."

Madeleine's parents feel her packaging job at the House is tremendously important to her, and provides socialisation and stimulation. It's also been an enormous help to her parents. "The House has been a godsend. I just don't know what we would have done or how we would have managed without them," says Bill.

Chifley Financial Services is proud to be able to support the House With No Steps.



How to save on health care costs



Here are some ways to stop rising health care costs from eating into your retirement savings.

The Medicare Safety Net

The Medicare Safety Net protects you against high out-of-pocket medical costs. Once you reach a safety net threshold, visits to your doctor and other medical tests and services received outside of hospitals may end up costing you less.

If you belong to a 'safety net family' (a married or de facto couple, with or without dependent children, or a single person with dependent children) you can combine medical costs so that you are likely to reach the thresholds sooner.

But to receive a benefit, you and each family member must register for the safety net, even if all your names are listed on your Medicare card. You can do this online on Medicare's website at www.medicareaustralia.gov.au or by visiting any Medicare office.

Use bulk billers

If you use medical practitioners who bulk bill, you won't pay anything. This is because they bill Medicare directly and accept the Medicare benefit as their full payment for their services.

In some cases, you can also negotiate with your medical practitioners to charge you bulk billing rates even if they don't do this for all their patients. So, if you are finding that medical costs are really setting you back, it may be worthwhile having a discrete chat with your doctor.

Obtain Centrelink Concession Cards if eligible

The pensioner Concession Card, Commonwealth Seniors Health Care Card and Health Care Card all provide large discounts on approved pharmaceuticals which are part of the Pharmaceutical Benefits Scheme (PBS). Your Planner or Centrelink can give you information about eligibility for these concession cards.

Save on medications

Generic medicines are usually cheaper than brand name versions even though both will have the same active ingredients. So, discuss generics with your doctor before he or she gives you a prescription or ask your pharmacist for the less costly alternative.

Also, the Pharmaceutical Benefits Scheme (PBS) Safety Net provides relief if you or your family need a lot of medicine in a calendar year. Once you or your family reach a Safety Net threshold, you can apply for a PBS Safety Net card and your PBS medicine will be less expensive (or free) for the rest of the calendar year.

This threshold currently stands at \$1059.00 for general patients and \$274.40 for Concession card holders. So, keep a record of your spending, or ask your pharmacy to do so, and as soon as you start approaching the threshold, ask your pharmacist how you can apply for a Safety Net card.

Be a public patient

Even if you do have private medical insurance, you don't have to be a private patient in a public hospital. If you are a public patient, you will get many of the services free of charge. If you are a private patient in a public hospital, these services will be paid for by you or your private health fund and you may be required to pay an excess or find that the charges eat into your medical fund's annual limits.

Claim a tax break

A tax offset (known as the "net medical expenses tax offset") is available if your out-of-pocket medical expenses exceed \$1500 (Single or couple combined) during a financial year. In the current tax year, 20% of your net medical expenses which exceed \$1,500 p.a. can be used to offset other tax you may have to pay. If you are not liable to pay tax, then this offset will not assist you.

For more information, phone the Australian Tax Office on 132 861 or visit its website at www.ato.gov.au

How much super should I draw down in retirement?



A century ago, retirement strategies were not an issue for most people... they just didn't live that long. In 1901, the average life expectancy was around 57 years. Thanks to advancements in medical science, life expectancy figures have now jumped to 75.5 years for men and 81.5 years for women and are expected to keep rising.

The problem, however, with these figures is that they are just averages. This means that half of the population will outlive them and half will die earlier.

If you are lucky enough to fall in the half that outlives the average, do you know by how much you'll outlive it? Of course not! They say the only certainties in life are death and taxes, but at least we know when our taxes are due.

These days, one of the biggest risks we face when planning our retirement is that we outlive our retirement savings.

That's okay, you say, you'll just live off the Age Pension when your money runs out. Bear in mind, however, that this pension currently amounts to \$13,314.60 for a single person a year and \$22,240.40 a couple per year, and may not be enough to keep you in the style you might have become accustomed to.

Also take into account the possibility that if a bigger percentage of our population is living longer in retirement,

future governments may not be able to sustain this level of Age Pension.

Consider too that if you do manage to outlive the average by many years, you might be in for additional costs that you don't have to pay right now. For example, you may have to replace your car, washing machine or fridge in say 10 to 15 years' time. And, as you get older, you may get frailer and your health care costs will jump.

You may currently own your own home, but what happens if you'd like to move into a retirement home or need nursing care? Also, what happens if you are part of a couple and one of you doesn't age as well as the other and needs additional care? You might have to pay two separate sets of accommodation costs.

These questions make planning for retirement problematic as we are dealing with such uncertainties. If you draw down too much of your savings in the early years of retirement and then outlive your peers by many years, that could mean many years of financial hardship. If you draw down too little, you might end up not being able to enjoy all the things you could have enjoyed.

On the plus side, many people will receive an inheritance either large or small, at some point in their lives.

So what should you do? Each person's circumstances will be different and there's no single answer. But if you are about to retire or are already in retirement, you would be wise to discuss these issues with a qualified financial planner. He or she will assess how your current investment strategies can be expected to perform over the long-term, and will work through your personal circumstances to assess how you should be drawing down on your life savings.

To book an appointment with a financial planner, please call **1800 800 002**.

Investing can be a bumpy ride

After hitting all time highs at the beginning of this year, share markets have since been rather bumpy and their outlook remains uncertain. So, what should you do?

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 have risen more than they have fallen, especially over the longer term.

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 have left until retirement;
- 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; or
- You have recently retired and are investing for 'the long haul'.

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 strategy, or believe that this is a good time to review your investment portfolio, please call **1800 800 002** to speak to one of our financial planners at no additional cost to yourself.

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*Applies to selected telephone, dial up Internet, ADSL broadband and bundle plans under 12 and 24-month contracts.

^Discount of 5% on subsequent bills (excluding GST) during your contract. Not available in conjunction with any other offer.



What about Tai Chi?



Ever thought of getting into the martial arts? Forget about kickboxing, karate and tae kwon do! It's tai chi that's increasingly gaining popularity in the Western world, especially among older people.

This is because tai chi involves a series of gentle and low impact movements which put minimal stress on your muscles and joints. Indeed, tai chi has been found to reduce stress, improve circulation and flexibility, strengthen resistance to disease, boost energy and improve muscle strength. Some studies have shown that it can improve balance in older adults, reduce their risk of falls and of slow bone loss in women following menopause.

Tai chi, which was originally developed in China as a form of self-defence about 2,000 years ago, involves doing a defined series of postures or movements, each of which flows into the next without pausing.

The good news is that you can start practicing it at any age and at any level of fitness. You can do it anytime, any place, in groups or by yourself, and it doesn't require much physical space or special clothing or equipment.

Just like yoga, however, there are many styles of tai chi, some of which are more fast-paced and intensive than others. So it's important to talk to your doctor and tai chi instructor to make sure the style you're using is appropriate for your physical capabilities, especially if you have any problems with your joints, spine or heart.

How have investment markets performed?

To view commentary on how investment markets have performed over 2007, visit **www.chifley.com**

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