



Chifley Financial Services – September quarter 2009

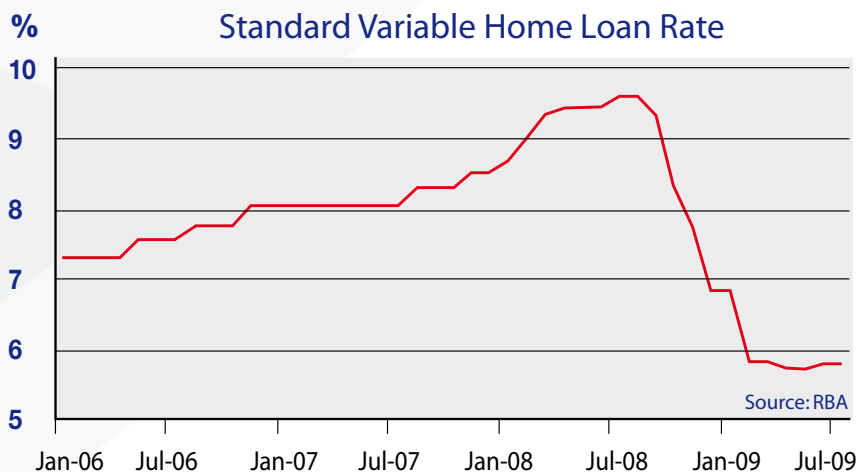
Welcome

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Interest rates: Where they are heading

One of the positive aspects of the global economic downturn has been the decline in interest rates. Floating mortgage rates have fallen from 9.6% at the peak to 5.8% in the space of 1 year, saving borrowers hundreds of dollars off their monthly repayments.



Investors in long-term Government bonds also got a benefit from the increase in value related to the fall in the market yield. Government bond yields fell by about 3% in the year to December 2008, and that produced a total return for the year of over 17% from Government bonds.

However, interest rates won't stay low forever and, in addition to the one already received, members should be prepared for further rises in interest rates and higher mortgage repayments.

What is the Reserve Bank of Australia doing?

The RBA has a duty to contribute to the economic prosperity of Australians. To achieve this, its primary aim is to keep inflation in a range of 2 to 3%. The RBA uses monetary policy to influence economic activity and inflation. It can set short-term interest rates by changing the supply of funds to the financial system.

In the middle of last year the RBA started to worry about the global financial crisis and became less concerned about slowing inflation, even though the CPI inflation rate was well above the target range. After twelve gradual cash rate hikes from 2002, in September last year the RBA changed strategy and began aggressively reducing the cash rate. It was cut from 7.25% to 3% over a period of seven months.

The flexibility to lower interest rates, as well as Australia's trade links with the strong China economy and a huge Government stimulus program, have allowed the Australian economy to weather the global slowdown surprisingly well. However, the RBA has already raised rates by 0.25% in October and recent comments from them are warning of higher interest rates in the future.

The outlook

The fact that the RBA is signalling that we may be facing higher interest rates in the future represents a mixed message for investors. On the one hand, it indicates that the outlook for the economy and job prospects is improving and members with cash in the bank can look forward to better interest payments. On the other, it will result in higher repayment costs for borrowers and it may lead to turbulence in bond markets which may translate to a challenging environment for bond investors for some time to come.

Changes to the pension system

A number of important changes to the pension system came into effect on 20 September 2009.

The changes, first announced in the 2008/9 budget, include:

- ▶ The full pension for a single person has increased by \$65 a fortnight while that for a couple has risen by \$20.30.
- ▶ The rate at which excess income affects the pension has risen from 40 cents in the dollar to 50 cents in the dollar for singles and from 20 cents in the dollar to 25 cents in the dollar for couples. Pensioners with private income below \$142 a fortnight for singles and \$248 for couples will not be affected.
- ▶ The Pension Supplement will be automatically paid to pensioners with their regular fortnightly payment. The supplement will combine various existing pension add-ons into a single supplement.
- ▶ The Seniors Supplement will combine the Seniors Concession Allowance and Telephone Allowance into one supplement for Commonwealth Seniors Health Card and DVA Gold Card holders.
- ▶ The Pension Bonus Scheme will close to new registrations but existing registrations will continue.
- ▶ A new Work Bonus allows pensioners over Age Pension age to keep more of their earnings by disregarding half of the first \$500 of fortnightly employment income from the pension income test. For some people, this could mean an extra \$125 per fortnight, on top of the pension increases.

So what do you have to do? Nothing! Centrelink will calculate any required changes for eligible customers.

And, according to Centrelink, no one will have a pension reduction because of these new rules unless they have an unrelated change of circumstances at the same time.

Transitional provisions will protect the entitlements of current pensioners. They will be assessed under both the current means test rules and the new rules. If the new rules produce the same or a higher payment for a pensioner, their entitlement will be assessed under the new rules permanently. If they are worse off under the new rules, they will be paid a transitional rate, rather than have a payment reduction.

All current pensioners paid at the transitional rate will receive a pension increase of \$20.20 a fortnight for singles. Couples will receive a pension rate increase of \$20.30 a fortnight combined. This new transitional rate will continue to be subject to Consumer Price Index (CPI) increases in March and September. The transitional rate continues to be payable (subject to normal entitlement rules) until the pensioner gets the same or a higher rate paid under the new pension rules.

If you'd like to find out more about the changes, call Centrelink's retirement enquiry line on **13 23 00**.



Looking after your bones



One in two women, and one in three men, over 60 years will have an osteoporotic fracture in Australia.

Worse still, the risk of future fractures rises with each new fracture.

Osteoporosis is a condition in which the bones become fragile and brittle, leading to a higher risk of fractures than in normal bone. It occurs when bones lose minerals, such as calcium, more quickly than the body can replace them, leading to a loss of bone thickness. As a result, bones become thinner and less dense, so that even a minor bump or accident can cause serious fractures.

Any bone can be affected by osteoporosis, but the most common sites are bones in the hip, spine, wrist, ribs, pelvis and upper arm. Osteoporosis usually has no signs or symptoms until a fracture happens - this is why osteoporosis is often called the "silent disease".

These fractures can lead to changes in posture (for example, a stoop or Dowager's hump in your back), muscle weakness, loss of height and bone deformity of the spine. They can also cause chronic pain, disability, loss of independence and even premature death.

According to Osteoporosis Australia, women are at a greater risk of developing osteoporosis than men, mainly due to the rapid decline in oestrogen levels after menopause. In addition, other risk factors such as reduced calcium intake and low levels of vitamin D can increase age related bone loss.

So how can you look after your bones to prevent osteoporosis?

Top up on calcium

Less than half of all Australian adults get their daily recommended intake of calcium. Our bodies cannot make calcium, so it must come from our diets. Milk, yoghurt and most cheeses are particularly high in calcium and calcium is more easily absorbed from dairy products than most other food groups. Small amounts of calcium are also found in nuts, breads, cereals, fruits and vegetables. In addition, some soy products such as tofu (bean curd) and a number of brands of soy milk are high in calcium or fortified with calcium.

If you cannot get enough calcium in your diet, your doctor may suggest that you take a calcium supplement.

Get out in the sun

Vitamin D is essential for bone health because it helps increase the absorption of calcium and phosphorous from the stomach. It also assists in regulating the amount of calcium in the blood and in strengthening the skeleton.

For Australians, the main source of vitamin D is from exposure to sunlight. Vitamin D is also found in small quantities in a few foods (for example, fatty fish - salmon, herring, mackerel, liver, eggs), but adequate vitamin D is unlikely to be achieved through diet alone. If you have low vitamin D levels in your blood, your doctor may suggest that you take a vitamin D supplement.

Exercise

Regular physical activity on a long-term basis has a particularly important role in maintaining healthy bones.

For more information on how to diagnose and prevent osteoporosis, visit Osteoporosis Australia's website at www.osteoporosis.org.au

What's on in NSW?



Sapphire Coast Orchid Club Australian Native Orchid and Bonsai Show

When: 6-7 November 09 **Where:** Twyford Hall, Merimbula
What: A specialist orchid show for Australian Native Orchids
Find out more: Visit www.sapphirecoastorchids.org.au/events

Music at the Creek

When: 13-15 November 09 **Where:** Majors Creek, Braidwood
What: A small, family friendly festival.
Find out more: Visit www.musicatthecreek.com

Queanbeyan Show

When: 14-15 November 09 **Where:** Queanbeyan Show Showground, Glebe Avenue
What: A country agricultural show
Find out more: Visit www.queanbeyanshow.com.au

Celebration of Motorcycles Bombala

When: 20-22 November 09 **Where:** Forbes Street, Bombala
What: Displays, test rides, short film competition and stalls selling all manner of motorcycle related goods.
Find out more: Visit www.celebrationofmotorcycles.com

Bulli Rodeo

When: 21 November 09 **Where:** Bulli Showground
What: Seven hours of live wild rodeo action with events
Find out more: Visit www.bullirodeo.com.au

Braidwood Quilt Event

When: 27-29 November 09 **Where:** Wallace Street and The National Theatre, Braidwood
What: The historic town of Braidwood becomes a Mecca for quilters and tourists alike
Find out more: Phone: **02 4842-2626** or email: braidwoodquilts@bordnet.com.au

Bush Poets Wool Wagon Awards

When: 27-29 November 09 **Where:** Goulburn Street Crookwell Services Club, Crookwell
What: Poets, poetry lovers and visitors will experience Crookwell's great country hospitality while laughing and crying at some of Australia's best bush poets
Find out more: Visit www.upperlachlantourism.com

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Call **1800 800 002** for more information.

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.

To view further seminar information go to www.futureplussuper.com.au/seminars/seminars.asp

To attend one of our free financial seminars near you, call **1800 800 002**. Alternatively you can book a seat by emailing: enquiries@chifley.com. It couldn't be simpler.

Top up pension considered

Retirees with meagre super savings may in future be able to “buy” a lifetime top-up to the Age Pension from the Federal Government. Such a proposal is being looked at by a Government panel considering how Australia’s tax system should be modernised.

The proposal would allow those with small superannuation nest eggs to hand that money to the Government in return for a guaranteed payment indexed to the Aged Pension.

The review of the tax system, chaired by Treasury Secretary Ken Henry, is set to be handed to the Government in December. No final decisions have been made on the proposal as yet.

Discounts while travelling



Your Seniors Card is not officially recognised in other countries, but many businesses will still give you the discounts they give their own senior citizens so it’s always worth presenting your card and asking.

It may also be worthwhile joining a seniors’ association in the country you are visiting as their members often receive many discounts. Examples include the American Association of Retired Persons (www.aarp.org), the Canadian Association of Retired Persons (www.fifty-plus.net) and the New Zealand Seniors Card (www.seniorscard.co.nz).

Annual reports to be available online

Remember that in the future, we will no longer automatically post our annual report out to you in a printed form unless you ask us to do so. Instead, our annual report will be available in the Fund Documents section on our website at www.chifley.com.

This will save the printing and postage costs involved in sending out printed annual reports to members who may not be interested in receiving them by mail and will allow us to use the savings to provide better services for you. It also has considerable environmental benefits.

Printed annual reports will still be available for any member who requests one and if you would like one sent out to you please call **1800 800 002**. Your request will be recorded and an annual report sent out to you when they are printed towards the end of this calendar year.

Take advantage of the 5 Star Chifley Home Loan

If you are thinking of moving, downsizing or buying an investment property, why not take advantage of the 5 Star Chifley Home Loan?

Despite all the recent uncertainties in the financial markets, a Chifley Home Loan is still rated 5 Star by CANNEX, the independent financial services monitoring agency. This means our mortgage loan offers “superior value”, giving you the reassurance that you are making the best possible choice!

Products awarded 5 stars by CANNEX are the best 5% of similar products available in Australia. So when you consider that there are literally hundreds of similar products around, the awards give you the reassurance of knowing that with a Chifley Home Loan you are considering a competitive solution.

There are no mortgage application fees and no monthly account keeping fees. You can make extra and lump sum repayments without any restrictions which allows you to use any extra funds to reduce interest and pay out your loan faster*.

For more information on these or any of our competitive loans, either call us on **1800 800 002** or visit our website www.chifley.com. And, because you are a member of this Fund, your family members and children are also able to apply for a Chifley Home Loan.

*Limitations apply to Fixed Rate products. Terms and conditions apply. The credit provider is Select Credit Union Ltd. Fees, charges and all loan details will be disclosed in the loan contract. Some charges such as valuation fees and costs charged by the lender’s solicitors are payable. These charges are non-refundable should they be incurred and the loan is not proceeded with. An early repayment fee may be payable. Chifley Financial Services Limited (ABN 75 053 704 706, AFSL 231148) provides services through an agreement with Select Credit Union Ltd (ABN 20 058 538 140, AFSL 238257). Chifley Financial Services does not guarantee the obligations of Select Credit Union Ltd.

What's happened in investment markets?

On the whole, economic data in the third quarter of 2009 was encouraging. A lot of positive news was released, albeit with a slightly artificial feel to it given the levels of stimulus that have been applied around the world. Nevertheless, investors welcomed this news with open arms as a lot of built-up cash returned to the equity markets.

Australian GDP rose 0.6% for the quarter versus 0.4% at the end of the last quarter of the financial year indicating that the economy is continuing to expand. Meanwhile, unemployment remained constant at 5.8% throughout the quarter as businesses were able to retain staff. Both of these signals are positive for the Australian economy, but as mentioned earlier, they do have to be judged in the context of the substantial stimulus applied.

In America, GDP remained negative as the country battles through the recession. Massive amounts of stimulus were injected into the economy and improving GDP figures (albeit still in negative territory) indicate that it is working. President Obama looks to be willing to do all that he can to protect the economy which has encouraged investors and sparked an extended equity market rally.

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

The Australian stock market just couldn't be stopped during the quarter with September marking a seventh consecutive positive monthly return. The quarterly return for the benchmark S&P/ASX200 was 21.5%, which was the best 3-month return since the index began in May 1992. The third quarter of the year is the reporting season for most companies in which they report their full year earnings. This quarter did not disappoint as the majority of companies published earnings in excess of analysts' estimates. This was a large driver of the rally as every piece of positive earnings news was met with a renewed vigour from investors which drove the market higher and higher. The sustainability of these earnings is questionable, but in the short term at least, everyone is happy with this extended recovery.

International Equities

International equity markets did not fare quite so well as the domestic market but still returned over 7% for the quarter. Company earnings were reported globally and the majority surprised on the upside, extending the rally. The main factor that held the rally back relative to Australia was the belief that there could still be fall-out from the credit crisis and that things may not be quite as good as they appear. The benchmark MSCI World Ex Australia is made up of companies in the developed world and is dominated by the US. As US financial institutions are still looking over-leveraged and consumer credit is hard to come by, it seems as though a more modest rally is justified at the current time.

Listed Property

Listed Property Trusts (LPTs) also produced the best quarterly performance in the 9-year history of the current benchmark with a staggering 30.5% return for the quarter. This followed on from the previous quarter's returns and gives a 6-month performance of 50.2%. Despite this, LPTs are still 63% off their highs of February 2007. The main driver of this recent resurgence is the belief amongst investors that these trusts are now adequately capitalised to meet debt obligations. Much of the decline was based on the fact that LPTs were over-leveraged and unable to remain solvent, but recent capital raisings appear to have put investors' minds at rest.

Cash and Fixed Interest

Throughout the entire quarter the Reserve Bank of Australia left the official cash rate at 3%¹ as it looks to provide further stimulus to the local economy. When cash rates are low consumers are encouraged to spend more and save less, which generates more economic activity. Sovereign bonds produced a return of 1.5% for the quarter, much in line with its long-term average. This asset class benefited greatly from the equity market crash as investors turned to safer investments. After a minor correction in the previous quarter sovereign bonds appear to have stabilised again producing modest returns.

Global bonds fared much the same with the quarterly return tending to the long-term average. Interest rates are still at historically low levels in many developed nations, putting some pressure on fixed interest investments.

¹ This rate was increased to 3.25% in early October on signals of an improving economy.

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Parramatta
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*Bookings are essential.
Phone 1800 800 002
to make an appointment.

Office hours 8.30am - 5.00pm Monday - Friday



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