

YOUR FUTURE



FUTUREPLUS SUPER
ABN 76 829 356 693 - Silver

July 2007

Looking back on the financial year

The global financial boom that continued into 2007 has produced four years of double digit returns for products with a significant exposure to growth assets. This will be the longest period of financial prosperity since the 1970's.

The Fund's Growth, Diversified and Balanced products on the back of these sharemarkets had another year of solid double digit returns.

However, products that depend upon defensive assets (such as fixed interest) have not fared as well, due to rising interest rates in the bond markets (rising interest rates mean that the value of any existing fixed interest investments may fall).

Looking forward to next year there is reason to remain optimistic, as most of the major economies appear to be in good shape. And while the stock market and credit markets experienced significant corrections in July and August, it is important to remember that superannuation remains a tax effective long term investment, and that your Fund's performance over the long term continues to be strong.

Budget update



The following provides a brief outline of the new tax changes announced in the 2007 Budget.

- From 1 July 2007, the threshold for the 30% tax rate will rise from \$25,000 to \$30,000 which means an annual tax saving of up to \$750.
- From 1 July 2008, it is proposed that the following will change:
 - The threshold for the 40% tax rate will increase from \$75,000 to \$80,000.
 - The threshold for the 45% tax rate will increase from \$150,000 to \$180,000.
- There are small increases to the income thresholds before Medicare levy is payable.
- Simplified on-line tax returns will be introduced to help further simplify the tax arrangements for many tax payers.



We can help you with more than just your super

- Looking for a low cost flexible home loan? We can help you.
- Would you like to build an investment portfolio? We can help you.
- Interested in borrowing to invest? We can help you.
- Need insurance? We can help you.
- Looking to create an estate plan i.e. a plan to protect your assets in the event of your death? We can help you.

**Call 1800 067 059
for more information.**

Hear from our financial planners online

Visit www.futureplussuper.com.au

to hear about the latest on the super reforms and more from our financial planners.



Super is now Better

The Government's *Better Super* reforms, initially called Simplified Super, have now been passed into law and many of the changes came into effect on 1 July, 2007. You have probably seen the ads on TV and now know that the reforms make super one of the most attractive savings mechanisms available, largely because you won't pay tax on your super if you take it out after you turn 60.

But superannuation was already concessional taxed in other ways. Both pre-tax contributions (i.e. salary sacrifice) made by yourself and the Superannuation Guarantee contributions paid by your employer (currently up to \$50,000 a year) are taxed at 15%, which may be a much lower tax rate than the one you pay on other earnings. In addition, the earnings on your investments while invested in super are taxed at a maximum rate of 15%, whereas earnings outside of super may be, depending on your circumstances, taxed at the highest marginal tax rate. There are also transitional arrangements that may be relevant for some.

If you'd like more information on how you can use these changes to your advantage, or just find out how attractive super is, you are welcome to contact our Member Services team on **1800 067 059** and ask for a copy of our booklet: "*Make your Super Count*", it contains tips and strategies you can employ right now to help your super grow.



We need your Tax File Number

Please note that from 1 July 2007, if the Fund does not have your Tax File Number (TFN):

- the Fund won't be able to accept any personal contributions made by you or your spouse from after-tax money;
- you may miss out on Super Co-contribution payments you may be eligible for; and
- you could pay up to 46.5% tax on some of your super contributions.

The Australian Tax Office may have written to you recently advising that it intended to give your TFN to the Fund. If it hasn't, you may provide your TFN to the Fund by calling Member Services on **1800 067 059** or through your employer.

You are not obligated to provide your TFN to the Fund, of course, but not doing so may result in you having less money saved into your superannuation account when you retire.

If you don't know your TFN, you can call the Australian Taxation Office on 13 28 61 or talk to your HR or payroll department. Even if you have already supplied your TFN, it's a good idea to check your Member Benefit Statement to ensure that it records your TFN as having been supplied.

Are you saving or investing?



Why is it that many people invest their money but only some become wealthy? One reason is that many people make the mistake of treating their investments as savings. But what's the difference?

Savings are when we put aside some of the money we earn, usually in a bank account, to provide for the future. This kind of saving implies safety and conservatism and is often aimed at satisfying short-term goals such as paying for a car or an overseas holiday.

But saving is not the best strategy if you want to build up long-term wealth.

To build long-term wealth, you need to take the next step, which is to invest your savings. While cash is a safe investment, the interest earned on cash is often eaten away by inflation and tax, leaving you with very little growth over the long-term.

In contrast, there are a host of other investment avenues that tend to show stronger gains over time, such as shares and property. Not only do they attract interest, rental income or dividends, but they can also grow in value over the long-term.

Some also have tax advantages. You may have to pay tax on any interest earned on cash in the bank, but if you invest in Australian shares, for example, you could benefit from "franking credits". This means that if a company has paid tax on its profits and distributes these profits to shareholders as dividends, the shareholders get a tax credit equal to the amount of tax already paid by the company.

Investing via super also has significant tax advantages. Any pre-tax contributions (i.e. salary sacrifice) you make to super, and any earnings on your money while it's invested in super, are taxed at a maximum rate of 15%. This, of course, is significantly below the average tax rate of 31.5% (for those with incomes between \$30,000 and \$75,000 in 2007/08). In addition, there is no tax payable on your super if you take it out after you turn 60.

The investment process, however, does carry with it some risks which can scare many of us off. The amount of expected return is based on the amount of risk you take with your money. Generally, the higher the risk of losing money, the higher the expected return. For less risk, an investor will expect a smaller return.

The risk with shares, for example, is that their prices may drop. That said, while share markets do go up and down, over the long-term they have gained far more than they have lost. The same can be said about property prices.

One way to reduce these risks is to invest for the long-term as this helps ride out the short-term changes in their value or price (i.e. volatility). Your risks can be greatly reduced because you have time to ride out the fluctuations and benefit from the higher long-term returns.

Another way to reduce the risks of investments is through diversification – that is, to make sure you don't keep all your eggs in one basket. This means spreading your risk across different types of asset classes, ranging from shares and property to fixed interest. It also means spreading your exposure across different geographical markets, regions or industry sectors, as well as across different fund managers and investment styles. When one asset class, market or manager isn't performing, another may be booming, helping you to absorb any knocks in the short-term.

The way you spread your investments across different asset classes can also help reduce your risks. If, for example, you don't want to take on too much risk, you might put a greater proportion of your assets into more conservative asset classes, such as fixed interest and cash, although these may produce lower returns in the long-term.

If you'd like to find out more about how you can invest your money, please call **1800 067 059** to attend one of our wealth creation seminars.

Plan to meet a planner

We all plan for things such as holidays, weekends, and get-togethers with family and friends. We keep an eye on our health by visiting our doctor and dentist. Yet how much planning and forward thinking do we provide for our finances and our retirement? We work hard for our money and we should make sure that it works hard for us. Financial planning is all about getting the most out of our money.

As a member of FuturePlus Super, you have access to our team of qualified financial planners dedicated to help you build up your wealth and plan for retirement. Some of the ways our financial planners can help you include:

- Creating savings plans;
- Creating wealth and implementing investment strategies;
- Showing you ways to legally minimise your tax;
- Providing retirement planning advice to help you maximise your retirement income;
- Helping protect your assets from the effects of inflation;
- Offering insurance advice; and
- Providing security for your dependants through estate planning.

Because your circumstances are different to those of your colleagues and friends, our financial planners will help you develop a strategy that is tailored to your unique needs and situation. They will also be available for further consultation as your needs change over time.

So how much does this cost? Because you are a member of this Fund, this service is provided at no additional cost to you and without obligation. And as all our planners earn salaries, they will not receive any commission for their advice.

To find out more about our financial planning service please call our Member Services team on **1800 067 059**.

Budget gift for super Co-contributors

If you are one of the 1.2 million Australians who made a super contribution that qualified for a Government Co-contribution in the 2005/2006 financial year, there's some good news for you.

In the Federal Budget in May 2007, the Government announced a **once-off doubling of its Co-contribution for that financial year**.

So for example, if you were eligible for a \$1,500 Government Co-contribution for 2005/2006, you will now receive an additional \$1,500 from the Government, bringing the total Government contribution to \$3,000. If you were eligible for a \$500 Co-contribution, you will get a total of \$1,000.

Even better news is that there are no forms to fill out. The Australian Tax Office will pay your Co-contributions into your super account automatically (as long as you have completed your tax return for the 2005/2006 tax year).

The Co-contribution initiative, introduced in 2003 and extended in 2004, currently matches voluntary super contributions of up to \$1,000 made by those earning up to \$58,980*, with the maximum \$1,500 Co-contribution applicable to those earning up to \$28,980. You can contact Member Services on **1800 067 059** if you'd like to find out more about this initiative.

* From 1 July 2007.

Seminars



Would you like to have a better understanding of how to manage your money, increase your savings, improve your investment portfolio or ensure you have enough to retire on?

As a valued member of this Fund you can attend a pre-retirement or wealth creation seminar at no direct cost to you.

Visit www.futureplussuper.com.au and click on **seminars** to find the most up-to-date schedule of dates and locations, and if you would like to book your place at a seminar please contact Member Services on **1800 067 059**.

How have investment markets performed?

The big story during the year to end June 2007 has been record levels of merger and takeover activity, estimated to be worth a combined US\$92.6 billion, compared to US\$37.9 billion a year earlier. This activity has been driven by an explosion in private equity deals, strong share markets and the resources boom – and in turn, it's fuelled further gains on international share markets.

Australian shares

The Australian share market rebounded from their slump in late February/early March to end the financial year to June on a high note after benefiting from busy merger and takeover activity and a robust world economy. Australian shares gained a whopping 28.7% for the year – their fourth consecutive year of double-digit growth. Not even fears of rising interest rates or the bumpy Chinese share market could stop the share market from having its best year in a decade.

International shares

International share markets also bounced back from the February/March sell-off with several managing to break new records before the financial year to June 2007 came to an end. Thanks to good earnings reports and abundant takeover activity, international shares were up 21.4% for the year. But, on an unhedged basis, they rose only 7.8% for the year because of the strong Australian Dollar.

In the US, the Dow Jones passed the 13,000 mark for the first time in April while the S&P 500 hit new highs in May. Nonetheless, US investors have since become nervous about rising bond yields and the continued fallout from growing defaults on low quality mortgages. Overall, the Dow was up 20.3% for the year, the S&P500 rose 18.4% while the technology heavy NASDAQ index was up 19.9%.

But China's share market fell from record highs in May after the Chinese Government tripled a tax on share trades. Thankfully, this had very little impact on other markets. Meanwhile, Japanese shares began rallying in November 2006, peaked in late February and then fell about 3% by the end of June. However, they still gained almost 12% over the year.

Listed Property Trusts

Despite much volatility, Listed Property Trusts (LPTs) still managed to gain 25.9% over the year. Like other shares, they benefited from all the takeover activity on the market. They also benefited from strong gains from the office property market. Nonetheless, by financial year end, investors had become concerned about the large variations in the returns from individual LPTs.

Fixed Interest

Australian bonds returned 4% for the year while international bonds were up 5.7%. Bonds were influenced by the sharp increases in international bond yields as markets anticipated strong global economic growth which could, in turn, lead to higher interest rates. Indeed, some players in the Australian market are betting on an interest rate rise as early as August.

Rising interest rates and higher bond yields can be bad news for fixed interest.

When interest rates rise, the capital value of bonds already on issue can fall. This is because investors would rather buy a bond issued at the new, higher interest rate than buy an existing bond paying a lower rate. The capital value of the existing bond has to fall to compensate for its lower interest rate.

The performance of fixed interest is also strongly linked to the movement in long-term bond yields. When long-term bond yields fall, existing bond prices rise. This means that holders of these bonds can sell them at a higher price than before. But when long-term bond yields rise, existing bond prices fall (because you can buy more attractive bonds with higher yields) and these bonds can only be sold at a lower price than before.

Cash and currencies

Cash returned 6.4% for the year. Supported by firm commodity prices, sound economic news and the possibility of higher interest rates, the Australian Dollar (AUD) rose to 18-year highs towards the end of the financial year.

Investment returns

Returns for the last 5 financial years

LifeCycle Objective Management Program %

By number of years to retirement

	2003	2004	2005	2006	2007
Over 25 years	-4.8	17.4	14.7	17.4	17.0
25-14 years	-1.9	14.0	12.8	13.8	13.9
13-5 years	1.1	10.5	11.0	10.3	10.8
4-2 years	4.1	7.0	9.2	6.7	7.7
1-0 years	4.1	4.8	4.0	4.7	5.9

Managed Portfolio Program %

	2003	2004	2005	2006	2007
High Growth	-4.8	17.4	14.7	17.4	17.0
Diversified	-1.9	14.0	12.8	13.8	13.9
Balanced	1.1	10.5	11.0	10.3	10.8
Capital Guarded	4.1	7.0	9.2	6.7	7.7
Cash	4.1	4.8	4.0	4.7	5.9

Member Choice Program %

	2003	2004	2005	2006	2007
Australian Equities	-4.1	20.5	22.7	19.9	25.1
Australian Fixed Income	6.9	1.6	5.4	2.2	2.5
Cash	4.1	4.8	4.0	4.7	5.9
International Equities	-11.6	17.8	5.3	18.6	8.3
International Fixed Income	9.6	3.2	9.1	0.2	3.7
Listed Property	9.4	14.3	13.5	14.9	21.1

All figures are shown to one decimal place

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81- 83 Molesworth St

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187 Summer St

Parramatta

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Wagga Wagga

2/209 Baylis St

Wollongong

Shop 2, 60 Burelli St

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148 Auburn St

*Note: Albury and Goulburn offices are staffed periodically. Appointments are essential. Phone 1800 067 059.

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*Terms and conditions apply.

Wanting to renovate or buy a property?



Have you spotted some improvements you'd like to make to your house or looking to buy a property?

If so, you might be able to afford it through a Chifley Home Loan.

With interest rates trending upwards, there's no better time than now to review your mortgage rate and the charges you are paying on your current home loan. Remember that money paid on uncompetitive mortgage rates is money that cannot be saved or invested – or used to improve your home.

The home loan market is extremely competitive at present with a wide range of different deals on offer. And, among those offering the most competitive deals is award winning Chifley Home Loans. And we are not the only ones who believe our loans offer great value for money. Our Super Mortgage Loan and Super Investment Loan have been rated "Superior value" and awarded 5 stars by CANNEX, the independent financial services monitoring agency.

Products awarded 5 stars by CANNEX are the best 5% of similar products available in Australia. So when you consider that there are over 2,000 similar products around, the awards give you the reassurance of knowing that with Chifley you are considering a highly competitive solution.

So whether you are looking to renovate, or whether you are buying a residential or investment property, Chifley Home Loans can help.

And, best of all, Chifley isn't owned by a bank. It's a division of Chifley Financial Services Limited which is the trustee of your super fund.

Call us now on **1800 800 002** to speak to one of our dedicated home loan consultants.

Terms and conditions apply. 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 may be 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), trading as Chifley Home Loans, provides services through an agreement with Select Credit Union Ltd (ABN: 20 058 538 140, AFSL: 238257). Chifley Financial Services Limited does not guarantee the obligations of Select Credit Union Ltd.



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