

# your FINANCIAL health

February 2005



## Another successful quarter

**Clive Briggs,**  
General Manager Investments

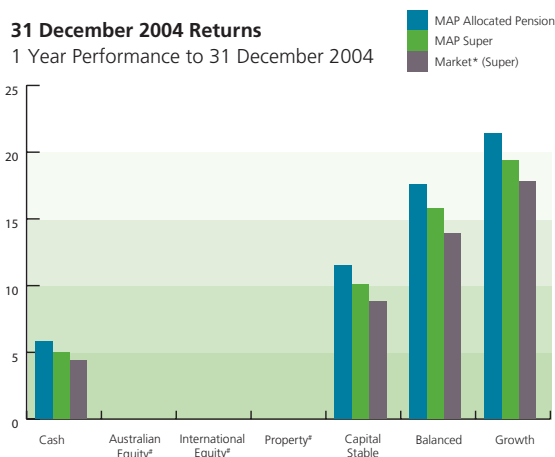
### 31 December 2004 Returns

3 month Performance to 31 December 2004



### 31 December 2004 Returns

1 Year Performance to 31 December 2004



\* Market for the Cash pool is the UBS Warburg Bank Bill Index less 0.5% pa for administration and 15% for tax. Market for the Australian Equity, International Equity, Property, Capital Stable and Balanced Pools is the appropriate Median manager performance of the Mercer Investment Consulting Superannuation Multi-Sector fund survey. Market for the Growth Pool is the Benchmark asset weights by the Index returns for that asset class less 1.4% for administration and 7.5% for tax.

\* The Australian Equity, International Equity and Property pools commenced in March 2004. Due to the short history of these pools, returns have not been included as they are not a meaningful indicator of performance.

Returns for all pools were positive for the December quarter ranging from 1% for the Cash Pool to over 9% for the Australian Equities pool. Returns remain strong over one and two year periods to 31 December 2004.

Our overweight position in Australian shares and underweight position in fixed interest continued to add value by increasing returns versus our competitors for the Capital Stable and Balanced Pools. Most of the other pools exceeded their targets for the quarter.

### Outlook

The outlook for financial markets will continue to be driven by expectations of world economic growth rates (particularly China and America) and interest/inflation rates. This has direct consequences for Australia. Firstly, in terms of market sentiment generally and secondly as the faster the pace of world economic growth, the more Australian companies can increase earnings by increasing their exports of goods and services.

Markets are now focussing on how rapidly the US Federal Reserve will raise rates to quell potential inflation threats and whether consumers will continue to spend or start to save more in the face of a slowdown in the housing market. Quarterly earnings results currently being released by US companies will probably determine the short-term direction of the market.

(continued on page 2)

### MAP Group Services:

- Superannuation
- Allocated Pension
- Investments for Self Managed Super Funds
- Australian Equity Fund
- Financial Planning

## Inside this issue!

- Now your self managed pension fund can invest in MAP...
- Group Superannuation Accounts - now an even better way to save on MAP administration fees
- MAP has a TAP!
- Custodian & Bank Account changes
- Thinking about retirement?
- Residential Property Warning

### eNewsletter is here...

A copy of this newsletter can be delivered to your email. Go to [www.mapfunds.com.au/publications.html](http://www.mapfunds.com.au/publications.html) and register. You can also send a copy to a friend!

## Strong returns and new services

Welcome to the first edition of Your Financial Health for 2005.

We are optimistic that 2005 will continue to deliver strong investment returns, although we don't expect the equity returns to be at 2004 levels, ie. MAP's Australian Equity Fund delivered a net investment return for investors for the 12 months to 31 December 2004 of 28%. Australian and International sharemarkets are anticipated to generate investment returns in the high single digits, with Australian share investments being viewed slightly more favourably than

international share investments. (Naturally there is always the risk that these expectations are not met).

Please also see inside for details of some exciting new services for members including:

- Reduced Fees for spouses/partners, and
- Introduction of a:
  - Term Allocated Pension for those members close to retirement, and

(continued on page 2)



**Terri Hamilton,**  
Managing Director

## Strong returns and new services continued...

- Non-tax paid Pooled Superannuation Trust for those members who run a self managed super fund that is paying a pension.

As always, I urge all members to take control of their finances by setting some financial goals, preparing a budget and determining an investment strategy. It's never too late. MAP's financial consultants are there to help you if you would like some assistance.

I hope 2005 is an excellent year for you. Please do not hesitate to contact me if I can be of any assistance. ■

## Another successful quarter continued...

We remain reasonably optimistic with respect to the Australian market, despite recent price increases. While value is becoming somewhat harder to find, underlying performance in the Australian economy is still good, with unemployment at record lows and the housing sector showing signs of achieving a soft landing. Importantly, this good economic performance is expected to continue with real GDP growth of around 3% expected for 2005 (UBS: January 2005). We are still positive on the resources sector on the basis of commodity price increases resulting from global shortages of many commodities. ■

## Self managed fund alert

If you are considering using a defined benefit pension for retirement, then you may have to commence prior to 30/6/05. It is unlikely that this option will be available after that time using self managed funds.

"Defined benefit pensions" are those payable for either a fixed term or lifetime, and exclude allocated pensions. Defined benefit pensions typically have been used to address Reasonable Benefit Limit (RBL) issues. Going forward, allocated pensions and term allocated pensions will be an alternative to manage RBL problems.

MAP offers both Allocated Pensions and Term Allocated Pensions, so we are well placed to manage your retirement income streams. Contact us on 07 3838 1234 or 1800 640 055 (toll free outside Brisbane) to find out more. ■

## Now your self managed pension fund can invest in MAP...

*If you are managing your own self managed super fund (SMF) and you are paying yourself a pension there is now an easier way to invest.*

A Pooled Superannuation Trust (PST) is an investment designed for you as a trustee of your self managed super fund to invest fund assets with professional managers who can provide diversification to spread your risk and provide access to investments not easily available to retail investors, such as international shares.

MAP's PST, available for many years to MAP members with SMFs, offers seven investment choices and fully tax paid returns, which can simplify your tax administration.

Because the return on the MAP PST was fully tax paid, it was not ideal for SMF pension investments, which pay no tax on investment earnings. To cater for this type of fund, the MAP PST now also offers a non-tax paid option. The non-tax paid option is available to SMF trustees who are currently paying pensions.

A Product Disclosure Statement is available from MAP or it can be downloaded from our website. If you would like to discuss whether the non-tax paid PST option would be a suitable investment for your SMF, please contact Noelene Mouritz or Brendan Tanwan on 07 3838 1234 or 1800 640 055 (outside Brisbane). ■

## Group Fee Accounts - now an even better way to save on MAP administration fees

*In June 2004, MAP announced a new fee structure that would provide you with lower fees as your account balance grows.*

Because access to lower percentage fees depends on your account balance with MAP, we wanted to make sure that members with more than one account with MAP were not disadvantaged. To calculate your fees, we add all your personal MAP accounts together (e.g. pension members who have multiple pension accounts).

We are aware that some members plan their financial affairs by spreading their MAP investments between themselves, their spouse/partner and their self managed funds (SMF). For system reasons, we were not able to group these MAP accounts at the time we introduced the new fee scales. We have now made changes to our systems to allow this to happen.

From 1 March, you can apply to have your personal MAP accounts grouped with those of your spouse or partner and your self managed fund investments in the MAP Pooled Superannuation Trust to access lower fee limits as per the MAP fee schedule below. (Any investments in the

MAP Australian Equity Fund do not apply to Grouped Fee Accounts).

You will still receive individual statements for each account. Group Fee Accounts are only used for the purpose of calculating your administration fee.

### Who is eligible for a MAP Group Fee Account?

- This change may benefit you if your grouped balance totals more than \$250,000.
- Group Fee Accounts only apply to you, your spouse/partner and your self managed fund. Other family members are not included.
- **You must apply.** We do not always know that these relationships exist – you must ask or we will not be able to group your accounts.

### What do you need to do next?

If you think this may apply to you, contact MAP for a Group Fee Account Application Form, complete your details and return to MAP as soon as possible. If you need further information please contact MAP on 07 3838 1234 or 1800 640 055 (toll free outside Brisbane). ■

## Choice of Fund Legislation commences 1 July 2005

MAP will shortly make its 'Choice' package available. In the meantime, please contact us on 07 3838 1234 or 1800 640 055 (toll free outside Brisbane) if you have any queries. ■



# MAP has a TAP!

MAP has recently introduced a new retirement income option – a Term Allocated Pension (TAP). The Federal Government has recently legislated for this exciting new product...

(MAP will continue to offer our existing allocated pension or a life office annuity can be accessed through MAP Financial Planning.)

## What is a MAP TAP?

A MAP Term Allocated Pension (TAP) is a MAP super account that pays you a regular income for a fixed period, following retirement from the workforce. The pension payments made each year are based on your remaining MAP account balance and the term remaining on your pension (based on your life expectancy at the time you commenced your TAP). You select the term based on the life expectancy of you or your spouse or someone 5 years your/spouse junior.

## What are the benefits of income from a TAP?

There are three major benefits of investing in a MAP TAP - taxation, estate planning and social security.

### Tax

- No tax is paid (by MAP or yourself) on returns earned by the investments in your account.
- No lump sum tax is paid if you convert your superannuation benefit directly into a TAP.

- Tax rebates may apply to income received from a TAP.
- Undeducted contributions (contributions made into super for which no tax deduction was claimed) are returned to you tax-free over the life of your pension.
- If you invest more than 50% of your pension in a TAP, you can access the Pension Reasonable Benefit Limit which may also mean you may pay less tax.

### Estate planning

If you die before the balance in your TAP is paid out, the remaining balance is not lost. You can choose in advance to have it paid to your estate or revert to a beneficiary after your death (similar to an Allocated Pension).

### Access to Social Security

TAPs are 50% exempt from the Centrelink assets test, which may help you qualify for a Centrelink Age Pension or Veterans Affairs Pension (unlike Allocated Pension for which there is no exemption from the assets test).

If you are currently considering your retirement income options and would like further information on which type of pension is the most appropriate for you please contact Noelene Mouritz or Brendan Tanwan on 07 3838 1234 for further information. ■

## How different types of pensions compare

	Allocated Pension	Term Allocated Pension	Complying Life Office Annuity commenced after 20/9/2004
Reasonable Benefit Limit	Lump Sum Limit (\$619,223 for 2004/05)	Pension Limit (\$1,238,440 for 2004/05)	Pension Limit (\$1,238,440 for 2004/05)
Pension payments	Must be within specified range based on balance at 1 July each year and age	Specified amount based on balance at 1 July each year and age	Same amount for life of annuity although some annuities can be indexed for inflation
Additional drawdowns	Withdrawals outside the specified range are allowed.	Not allowed.	Not allowed.
Death benefit	Balance remaining in account on death.	Balance remaining in account on death.	Nil after guarantee period.
Mortality Risk	Money may run out prior to death.	Money may run out prior to death.	Remaining payments/ some capital may be lost on early death.
Centrelink	The balance counts as an asset for the Centrelink assets test.	50% of the balance counts as an asset for the Centrelink assets test.	50% of the balance counts as an asset for the Centrelink assets test.
Account earnings	Investment earnings credited to account. No tax on earnings.	Investment earnings credited to account. No tax on earnings.	N/a – there is no account balance, only an entitlement to an income stream
Life of account	Pension ends when balance runs out. This depends on earnings and whether maximum or minimum payments, or lump sums, are drawn.	You select the term on commencement based on government life expectancy tables. Payments vary to ensure nil balance at end of term.	As agreed in advance
Access to lump sums (in addition to payments)	Yes, however there may be implications.	No	No

## New custodian for MAP & New Bank Account...

Trust Company Limited, MAP's custodian, has announced that it will no longer be providing these services. Consequently, MAP has appointed a new custodian - Australia & New Zealand (ANZ) Banking Group Limited from 1 March 2005.

### How will this impact how you make your super contributions?

MAP will now have a new bank account number. If you transact electronically via your bank account or deposit personally into MAP's bank account at Westpac, you will need to change the details you are currently using. The new details are:

Bank Details: ANZ  
Cnr Pitt and Hunter Streets  
SYDNEY NSW 2000

Account Name: ANZ Banking Group Ltd acf MAP Master Superannuation Plan

BSB: 012003

Account No.: 8375 35197

Both MAP bank accounts will be operating simultaneously to effect a smooth transition for all our members. More information can be obtained by calling 07 3838 1234 or 1800 640 055 (toll free outside Brisbane). ■



# Thinking about retirement?

*Pre planning your retirement financially to ensure you will have sufficient funds to last you is not an easy exercise.* Some of the financial issues that you will need to consider include:

- Will my superannuation be sufficient to last my lifetime?
- How will I invest my superannuation in retirement to maximise its potential?
- Should I cash out my superannuation on retirement or consider a pension? What tax implications are there to consider?
- What type of products are available in retirement?
- Do I have a reasonable benefits problem and how do I manage this?
- Should I consider self managing my superannuation, continue self managing my superannuation, or should I put it in the hands of experts?

- What tax benefits will I receive in retirement and what strategies are available pre-retirement to ensure your assets are set up as tax friendly as possible?
- Will I be eligible for the age pension at some stage during my retirement?
- Can I get a health care card even though I am not eligible for the age pension?
- What happens to my assets on death and what taxes may apply?

Don't leave planning for your retirement to retirement. It may be too late!!

MAP financial consultants look at the above issues on the day-to-day basis and specialise in recommending the correct strategies to maximise your benefits in retirement. If you need assistance with any of the above questions or clarification of any issues please call us today on 07 3838 1234 or 1800 640 055 (toll free outside Brisbane) to arrange an appointment. ■

## Residential Property Warning



**Chris Corneil**  
Director, Redistribution  
Russell Investment Group  
Australia

Chris Corneil of Russell Investment Group explains that to succeed in residential property investing, you don't need to know all the answers – just to apply the same risk and return criteria to property as you do to other types of investments. And then as always – diversify.

Over the next couple of editions of Your Financial Health we will bring you a serialised version of Chris's paper to provide you with an excellent insight into the property market. Section 1 of Chris's paper, set out in our August 2004 edition, outlined the main drivers of Australia's largest resident property boom in recorded history and shows why owner-investors – as well as owner-occupiers – should approach residential property ownership differently. Section 2 is set out below.

### SECTION 2: THE RESIDENTIAL PROPERTY CYCLE

#### Myth: Property Never Falls in Value

A feature of Australia's love-affair with property is a widespread belief that residential property never falls in value and thus produces the best gains. This misperception has evolved for two reasons. Firstly, properties are bought and held for significant periods of time. However, most assets held over long periods will deliver a positive return – though perhaps with greater volatility along the way. For example, an investment in Australian shares, the most volatile asset class, has rarely (in 1% of cases) returned a negative total return over five or more years. In fact, over longer time frames of ten years or more, shares and housing have recorded similar returns. So clearly, long-term investors do not necessarily need to hold residential property to enjoy the best gains.

A second reason for the misplaced perception that property prices only go up is that property gains are mostly discussed in

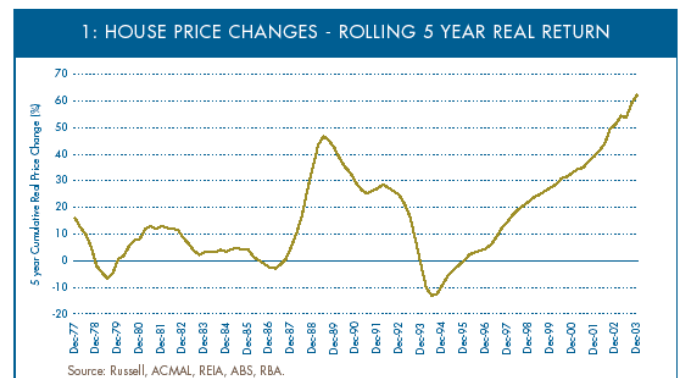
nominal terms, ignoring inflation. This can create cases whereby the nominal price change appears positive – while the real returns (when adjusted for inflation) are showing a decline.

#### Truth: Housing Prices are Cyclical

Graph 1 shows a long history of cumulative five-year real price changes for residential property in Australia. This demonstrates the price change that an investor would have experienced when holding residential property for five-year periods with the impact of inflation removed. It clearly shows that property prices are cyclical, and that housing price booms have been a regular occurrence every seven years or so.

For example, the five-year real price return fell from a level of over 45% in 1988 to around -15% in 1993. Over the five years to December 2003, prices increased 63% (after the removal of inflation).

Most commentators agree that the latest residential property cycle peaked in late 2003. ■



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