

Your FINANCIAL

Health



MAY 2006

New Insurance offer for MAP Members

Did you receive your letter of offer?

You should have received a letter of offer from MAP in April that detailed our new insurance arrangements for the fund. If you haven't received your letter, please contact us at your earliest convenience so we can re-send it to you. The letter advised you to return the Insurance Notice Form if you did not require the insurance, or required an alternative amount. MAP will extend the deadline for any member who was unaware of the need to return the form.

Why did MAP introduce new insurance arrangements?

At the request of members, MAP earlier this year sought submissions from a number of insurers in order to find a more competitive arrangement for its members in both cost and eligibility.

In addition to this, under the Federal Government's recent choice of fund legislation (this legislation provides employees a choice of which fund their employer pays their 9% Superannuation Guarantee contribution), a fund is required to offer automatic life insurance cover in order to be a 'default fund'. Employers use a 'default fund' for all employees who have not advised a preference of which superannuation account to pay into.

MAP took into consideration our membership demographic and determined that when compared to other industries, health professionals in most circumstances would require a higher level of Group Life and Total and Permanent Disability Insurance.

MAP members can now access up to \$500,000 automatic acceptance for Group Life and Total and Permanent Disability (TPD) insurance, with no medical evidence required!

What if I don't need \$500,000 of insurance?

You can have less! You are entitled to choose any amount up to \$500,000 Death only or Death and Total and Permanent Disability insurance with no health evidence required.

Thankyou for your feedback!

MAP has received diverse responses from members in relation to the new insurance. Some members expressed concerns with having to

'opt out' of the policy while others were ecstatic with the new arrangements not requiring a health declaration to be completed. MAP could only negotiate these costs and automatic acceptance levels on an 'opt out' basis. While MAP had the option to offer these arrangements only to new members, we felt the majority of our membership would like to have this benefit offered to them.

We would like to take this opportunity to thank all of our members who called to discuss the new arrangements and welcome any further questions or comments.

Can I use this insurance to protect my business assets?

An important part of estate planning is ensuring you have a succession plan in place for your business assets. In most circumstances where a co-owner of a business dies or becomes disabled, the surviving owners of the business will want ownership and control of the business, while your beneficiaries will want payment representing 'their' interest in the business.

This insurance could provide a cost effective option to resolve both of these issues through entering an arrangement with the co-owners of your business.

Essentially, by acquiring this insurance through your super fund, and entering into an arrangement with the co-owners of your business, you will be ensuring both your family are looked after and your business interests will remain as you had planned should the unthinkable happen.

Conclusion

We encourage you to talk to your financial advisor to help you determine the level of insurance cover you may require.

We have made every attempt to act in the best interests of our members in implementing this insurance. We are proud to have you as a member and hope you take advantage of these new arrangements.

For more information regarding the new MAP insurance offer, please contact us at your convenience.

MAP Australian Equity Fund Still going strong!

In the December 2005 newsletter we included an expression of interest form for our managed investment, the Australian Equity Fund (AEF). At that time the AEF was returning 22.64% for the year to 31 December 2005 so we encouraged you to get involved.

Those of you who did should be smiling very brightly!

The AEF is the pride and joy of our in-house investment team. With our pension fund and the MAP super plan going so well, you've probably already guessed that the AEF would be returning very competitively over an extended period of time too.

The AEF is returning 38.40 % for the year to 30 April 2006!!

Don't miss out again

If you forgot to send us the application form back, don't miss out again! Contact us and we will arrange for a Product Disclosure Statement to be sent to you or you can download one from our website at www.mapfunds.com.au.

MAP Pension Plan Ranked #1 for Investment Returns!

An independent survey conducted by Selecting Super (a Rainmaker company) has confirmed that the MAP Pension Plan is ranked #1 in Australia in the growth investment option with an average return of 21.3% pa for the 3 years to 28 February 2006!

Why are the returns so good over such an extended period of time?

MAP operates on a profit for members basis which means there's no shareholders to pay before you get your investment returns!

MAP is also one of the very few superannuation funds that have an in-house investment team. MAP's in-house investment team have had excellent success for more than 10 consecutive years investing in the Australian share market, the international share market, property and fixed interest.

Through utilising their exceptional abilities we hope to continue to provide members with such competitive returns for a long time to come.

MAP hits \$300 million!

You've read about the MAP pension plan being ranked #1 in the Selecting Super survey in the growth investment option for the 3 year period to 28 February. So it will come as no surprise to read that MAP has hit \$300 Million in funds under management!

This is a major milestone for MAP and we know we couldn't have done it without you. We'd like to thank you for your support and loyalty over the years and hope you join us for the next \$300 Million.

This level of growth cannot be achieved without the right people steering your fund to success and over the past decade our board of directors have been vigilant in leading MAP to this milestone.

Our new Managing Director Mrs Wendy Tancred has helped foster a strong focus on fund growth in both membership and funds under management. So we know the next \$300 Million is not too far around the corner!

How will the budget changes effect superannuation?

The 2006/2007 budget was released earlier this month and there is a raft of changes for superannuation. As usual, the government have proposed significant changes to superannuation and some changes that may have considerable impact on your retirement savings.

The Government is proposing a plan to sweep away the current complex tax arrangements and restrictions that apply to people's superannuation benefits. This would improve retirement incomes and increase incentives to work and save.

Under the proposed plan, from 1 July 2007 a summary of the changes (provided by 'Mercer's Review', 10 May 2006) are as follows:

- Superannuation benefits paid as a lump sum or as a pension to a person aged over 60 would be tax free. This would also apply to pensions commencing prior to 1 July 2007.
- Benefits paid to a person aged under 60 would continue to be taxed but on a slightly different basis.
- Reasonable Benefit Limits (RBLs) would be abolished.
- Rules governing the compulsory payment of superannuation benefits after age 65 would be relaxed.
- From 1 July 2007, it is proposed that the age based contribution limits will be abolished and replaced with a concessional deductible limit of \$50,000 per person per annum. Transitional arrangements will apply for persons aged over 50, who may contribute \$100,000 per annum until 2012. Employers would be able to claim a full deduction for all contributions to superannuation funds made on behalf of their employees under age 75. Contributions tax would increase from 15% to 45% on any employer contributions (including salary sacrifice contributions) in excess of \$50,000 pa.
- From 9 May 2006, a proposed limit of \$150,000 will be imposed for post-tax undeducted contributions that can be made each year. The Government is considering whether to average the annual cap over three years to allow people to accommodate larger one off payments. Contributions in excess of the cap would be returned to the individual. Any earnings on the excess would be effectively taxed at the highest marginal rate.
- Self-employed persons would be able to claim a full deduction for contributions, and could also claim the co-contribution (but not on deductible contributions)

- The 50% assets test exemption for complying income streams would be removed from 20 September 2007 and the assets test would be modified.
- The period within which portability transfers must be processed would be reduced to 30 days.
- Improved procedures for locating and consolidation lost super would be put in place.

Conclusion

While these proposed changes have significant effects on your retirement nest egg, they are not yet legislated and are open for public comment until 9 August 2006. A detailed outline of the proposed changes is available at <http://simplersuper.treasury.gov.au> or for more information call 1800 012 238.

We encourage you to have your say through the following means:

Email: simplersuper@treasury.gov.au or;

General Manager
Superannuation, Retirement and Savings Division
The Treasury
Langton Crescent
Parkes ACT 2600

Super helps me save on TAX

By now most of us are aware that superannuation is a concessionally taxed environment. Contributions made to a superannuation fund are taxed at 15% - compare this to your income tax rate (up to 48.5%) and you start to see how superannuation can save you a significant amount of tax.

We have outlined below some of the more common strategies people think about around June each year.

Self Employed Contributions

For self employed or substantially self employed individuals (to qualify as self employed you must receive at least 90% of your income from your self employed activities – or, not more than 10% of your income from an employer) you may be eligible to claim 100% of the first \$5,000 of your superannuation contributions as a tax deduction! In addition to this, you can claim 75% of the balance up to the relevant maximum deductible contribution limit. To maximise allowable deductions, the following contributions can be made:

AGE	MAX DEDUCTIBLE CONTRIBUTION	SELF EMPLOYED CONTRIBUTION REQUIRED
>35	\$14,603	\$17,804
35 to 49	\$40,560	\$52,413
Over 50	\$100,587	\$132,449

Salary Sacrifice Contributions

Salary Sacrifice contributions are made from your 'pre-tax' income. That means instead of paying up to 48.5% income tax, you can contribute to your superannuation and only pay 15%.

Government Co-Contribution

If you are employed and your income is between \$10 and \$58,000, you are entitled to access the Government Co-Contribution. In effect the Government will match \$1.50 for every \$1.00 you put into super, up to a maximum of \$1,500! This benefit is scaled from \$28,000 to receive the maximum co- contribution and reduces by 5 cents in every dollar to \$58,000 where it cuts out completely.

Rebate for Spouse Contributions

If your spouse earns less than \$10,800 pa, a tax rebate of \$540 (maximum) is available for your \$3,000 contribution. This is scaled such that no rebate applies where income exceeds \$13,800 pa.

Contribution Splitting Update

In our last newsletter, we announced that the Government had introduced contribution splitting – a long awaited move with significant benefits for couples. Some of these benefits have been made irrelevant by proposed changes to superannuation announced in the May Federal budget. So where is contribution splitting and how will it work?

Contribution splitting allows individuals to split certain contributions to their spouse's superannuation account. In situations where only one spouse works, this allows couples access to two eligible termination low rate thresholds (currently \$129,751) and two reasonable benefit limits (RBLs). But, because the budget proposes to remove all tax on superannuation end benefits and the entire RBL concept from 1 July 2007, this may no longer be appropriate.

How will MAP offer it?

MAP will only offer splitting to another MAP account. Your spouse must be under age 65 and, if aged over 55, still working. Applications to split can only be made during the financial year after the year of contribution and only the after tax amount of your contribution can be split. For the 2005/06 financial year, only contributions made after 1 January 2006 are eligible. When MAP issues your superannuation statement for 2005/06 (during August), we will invite you to contact us for a splitting form. You will have from then until June 2007 to complete the form and return it to us.

Why still do it?

The budget changes are not yet legislated and are subject to change. You may choose to delay your decision to split until late 2006/07 by which time the budget changes should be legislated. Splitting may also still be attractive as a means of reducing the rate at which pension payments must be drawn, or your spouse may feel more financially secure with his/her own super. MAP financial planners are available to discuss these issues further.

MAP is Reducing it's Administration Fee!

Our members are our priority and after more than 10 consecutive years of rebating unused administration fees back to you, MAP is reducing its admin fee!

Because MAP operates on a profit for members basis, we can lower our administration fee in conjunction with the fund growing. That means the more members and funds under management with MAP, the less we need to charge you.

To cover the costs of running the fund MAP currently deducts 1.8% from your account throughout the financial year. The 2004/2005 annual audit determined that MAP only required 1.16% to manage the fund, so we rebated 0.64% back to your account.

MAP has decided to reduce the 1.8% charged throughout the financial year to 1.6%, from 1 July 2006. This means you will

have more funds working for you during the financial year prior to the final fee being declared.

Will I still have unused fees rebated?

YES! MAP will always endeavour to lower costs and rebate administration fees to members every year. While we can't guarantee the amount of the rebate each year, you can rest assured knowing that MAP will provide you with as high a rebate as possible.

This is yet another example of MAP's resolve to put members first in everything we do.

Your fund, your super, your retirement!

The good times are still continuing!

The following is a direct quote from our last newsletter. Nothing has changed.

"Returns continue to be good, but with markets starting to appear fully valued in some asset classes the importance of a diversified strategy is paramount. The only protection against the unforeseen is to have a good spread of investment assets, and this is what MAP's multi sector pools provide for you. While we're not expecting a market crash, we are expecting returns to moderate from current high levels."

The main themes in the global share markets continue to be further upgrades to resource stocks on the back of increasing gold/metals prices. Oil was up 8% to US\$66 over the quarter to 31 March 2006, copper was up roughly 20%, silver 30% and gold 12% (New York markets).

MAP Returns

The returns for MAP's Pools were above that of our defined competitors (see table) for all pools except international equities over one, two, three and five year periods to 31 March 2006. Independently produced surveys (Mercers) are available for all pools except Cash. These show that we have produced top quartile performance over all these time periods for all pools (again with the exception of International Equities).

(unaudited) MAP Performance (after tax & fees) vs (Mercer) Market Performance Period Ending 31 March 2006

RETURNS

POOLS	% 3 Mths	%PA 1 Year	%PA 2 Years	%PA 3 Years	%PA 5 Years
CASH					
MAP	1.2	5.3	5.1	4.9	4.5
MARKET	1.1	4.5	4.4	4.2	4.0
VARIANCE	0.1	0.8	0.7	0.7	0.5
AUSTRALIAN EQUITIES					
MAP	9.2	29.7			
MARKET	8.1	25.9			
VARIANCE	1.1	3.8			
INTERNATIONAL EQUITIES					
MAP	7.6	23.4			
MARKET	8.1	24.7			
VARIANCE	(0.6)	(1.3)			
PROPERTY					
MAP	1.8	17.5	17.7		
MARKET	1.7	15.5	16.4		
VARIANCE	0.1	2.0	1.3		
CAPITAL STABLE					
MAP	3.0	11.3	9.8	9.0	6.4
MARKET	2.6	10.2	8.6	8.1	5.0
VARIANCE	0.4	1.1	1.2	0.9	1.4
BALANCED					
MAP	6.2	20.6	17.1	16.1	8.1
MARKET	5.6	18.7	15.4	14.4	6.7
VARIANCE	0.6	1.9	1.7	1.7	1.4
GROWTH					
MAP	8.5	27.2	22.4	21.3	8.8
MARKET	6.6	21.8	17.6	16.8	6.7
VARIANCE	1.9	5.4	4.8	4.5	2.1

The significant tactical positions we have implemented for the fund (these are relevant particularly for the capital stable, balanced and growth pools) are: Australian shares at a neutral weight; International Shares overweight; fixed interest underweight.

Outlook

As explained in our December quarter report, we have been expecting bond yields to rise for some time now. The US 10 year bond yield (at the time of writing) having further increased to 5.1% (May 2). The increase seems to be as much related to strong economic growth prospects in America, as inflation continues to remain low (although it seems that it must rise at some stage given the significant increases occurring in commodity prices). This increase in yields will provide a slight headwind to some sectors of the share market.

The other area of note is obviously in resources and energy. As in all markets, two factors need to be considered: fundamental value and market sentiment. While the long term fundamentals remain supportive, the critical issue is the rate of world economic growth (currently high), with particular emphasis on the rate of economic growth in China. China's economic growth rate should continue around the high single digits (8 - 9%) even given the recently announced increase to interest rates in that country. In relation to market sentiment the critical issue seems to be how much commodity prices have been driven by 'transient' buyers such as hedge funds who can quickly turn from buyers to sellers. Given that the market has moved a long way in a short time a short term correction would not be unexpected.

In the Australian market the potential inflationary effect of increased oil prices has resulted in the Reserve Bank raising interest rates. In combination with fuel price rises this could further slow economic growth although the recent tax cuts will offset this effect.

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 Equities, International Equities, Property, Capital Stable, Balanced and Growth Pools is the appropriate Median manager performance of the Mercer Investment Consulting Superannuation Multi-Sector fund survey.

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