

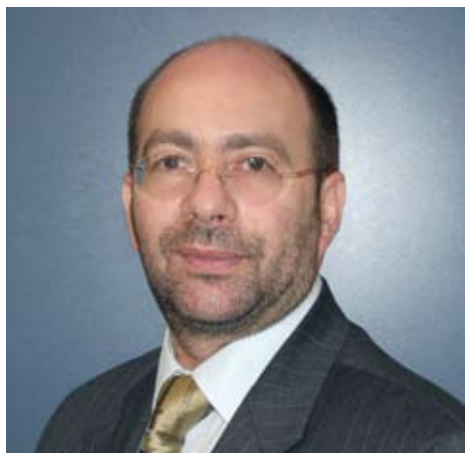
# YOUR FUTURE



ENERGY INDUSTRIES®  
SUPERANNUATION SCHEME

Energy Industries Superannuation Scheme  
Retirement and Defined Benefit Schemes - ABN 64 322 090 181

Financial year ending June 2010



**Michael Block**  
General Manager – Investments

May and June 2010 were particularly bad months for shares with stocks around the world losing value. Whilst there was a strong recovery in July this only highlights the fact that share markets remain volatile. This volatility has caused many people to think about whether it's time to get out of shares or hang on, particularly if they are close to retirement or concerned about losing money.

There are many investment myths. For example, there is an old adage in the share market which says "sell in May and go away". It is based on the idea that May to November (roughly the European and American summer) is not a good time for shares. However, this saying has no basis in fact as the May to November period is neither particularly good nor particularly bad for shares.

But there are some facts that we can rely on and they have been a good guide for a very long time.

The way that I like to look at it is that shares have for centuries followed a fairly stable upwards trend and for the most part it makes sense to have some in your portfolio and hold them for the long term. This trend is evident in the

attached diagram showing Australian share prices from 1980 to 2010.

If we look back (admittedly it's always easier with hindsight) it shows us that shares were above their long-term trend in 1987 and for those who could, it may have made sense to take a little risk off the table and reduce exposure to shares.

Similarly in 2007 the graph shows that shares were a very long way above their long-term trend and greatly overvalued. Like 1987 the lead-up to 2007 was a good time to sell and a bad time to buy.

After the so-called global financial crisis in 2007 share prices fell below their long-term trend suggesting it was a good time to add to your shareholdings.

So where are we now?

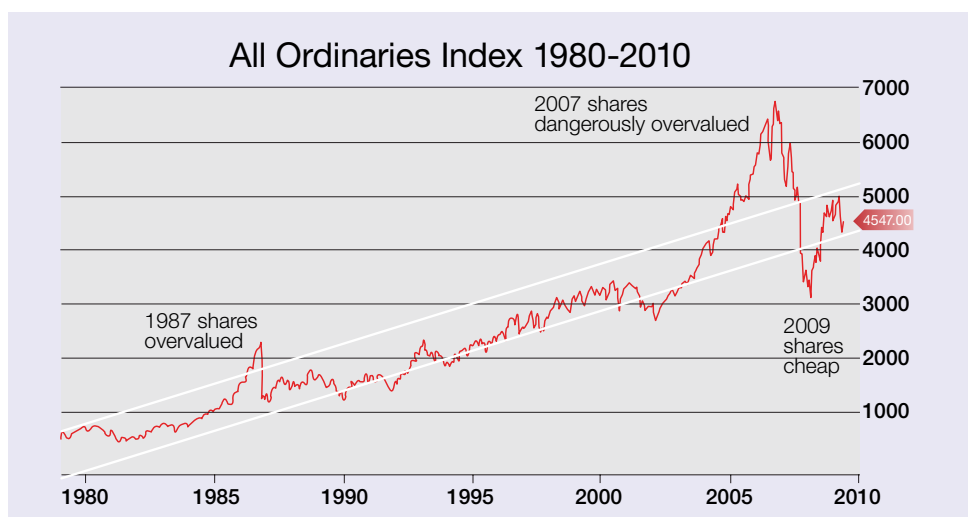
Right now, share prices are within their long-term trend indicating that holding shares should result in an acceptable return over the long term.

A general rule of investing is that you buy when prices are low and sell when prices are high. If we accept this advice, now is a time to do nothing and just hold your long-term allocation in shares. This is because shares are not cheap enough to suggest adding to portfolios and only just above their average long-term price which does not indicate the sort of danger that would make one run away from the markets.

Of course, this trend is a long-term trend and does not suggest that we won't see some more volatility in the next little while with so much uncertainty in the world.

I must emphasise this is general advice from a funds management perspective only and does not constitute personal advice as it does not take into account your personal objectives, financial situation or needs. Prior to making any investment decision you should consult your financial planner.

**If you would like to discuss any of the topics raised by Michael Block with a financial planner please call 1300 883 788.**



Today shares are fair value and in the middle of their long-term trend.

# How do you know if you've got enough super?

It's a shocking fact, but very few Australians are likely to retire with a comfortable amount of money. Many believe their superannuation contributions will be enough but Census data shows that many of us will have a much lower standard of living than we expect. Have you ever sat down and considered how much money you'll really need to fund your retirement?

Working out how much money you will need in retirement depends on your personal situation, of course. Not only does the amount of money you need depend on your lifestyle choices, but you may have some other income options in retirement (such as part-time work or payments from other investments) which will supplement your super.

But you need to think about how much you'll need early enough to do something about it.

The Association of Superannuation Funds of Australia believes a single person needs an annual income of \$39,159\* and a couple needs \$53,565\* to live comfortably in retirement. They define "comfortable" as having an income that permits the retiree to pursue a range of leisure and recreational activities and supports a good standard of living through the purchase of things like: household goods, a decent car, good clothes, private health insurance and occasional domestic or international travel.

## So how do you get there?

This will depend on what savings you start off with, how long it is until your retirement, and what level of retirement income you are seeking.

The table below roughly sets out what an individual might have to save, in terms of percentage of their income, in order to meet certain retirement income targets.

It is widely considered that a target of between 60% and 70% of annual pre-retirement income is needed in retirement. As the table below shows, unless you're a long way off retirement, reaching this target will involve more than the 9% compulsory contributions (SG) for most people.

## How can you catch up?

The easy answer is to increase your contributions to super. There are several approaches you can take once you've decided to start making additional contributions:

### *Increase your contribution rate:*

For members who are behind on their benefit points, increasing your contribution rate is one of the easiest ways to increase your super benefit. For further information about Benefit Points go to the Benefit Points Fact Sheet on the website or call Member Services on **1300 369 901**.

### *Salary sacrifice:*

Salary sacrifice is an arrangement where you "sacrifice" a proportion of your pre-tax income and put it into your super. This can be a tax effective way

to save for retirement on two levels. First, because you are making the super contribution from your before-tax income, it is taxed at the super contributions rate of 15%, rather than your normal rate of tax. Secondly, because you have effectively reduced your income (by the amount of your salary sacrificed super contribution), your income is lower and therefore the tax you pay on that remaining income will be lower too.

Remember you can also salary sacrifice your Benefit Points.

### *After-tax contributions:*

You can also make additional contributions to your super from your after-tax income. Again, this will help grow your super plus it may even entitle you to take advantage of the Government Co-contribution scheme.

### *Government Co-contribution scheme:*

If your before-tax income is \$61,920 or less, you may qualify for the Government Co-contribution scheme. This is where the Government could match your after-tax additional contributions to your super dollar for dollar, up to \$1,000 per annum.

### *Spouse rebate:*

If you are not working, or are on a low income, another way to help boost your super is to have your spouse make a contribution on your behalf. To qualify for this, your income cannot exceed \$13,800 per annum. Your spouse, in turn will benefit from an 18% income tax rebate on any contributions made to your super up to the value of \$3,000. Please note, however, that any contributions in excess of \$3,000 will not be eligible for the rebate.

### *Get some advice:*

If you have any concerns about your super, or want to start planning for your retirement, then it's a good idea to get some professional advice from a qualified financial planner. And because you're an EISS member, that advice is at no additional cost. Just call **1300 369 901** to make an appointment.

\*Source: Association of Superannuation Funds of Australia Westpac ASFA Retirement Living Standard, 'How much do you need to spend to have a comfortable standard of living in retirement' March 2010.

Percentage of income over and above the 9% Superannuation Guarantee required to be saved to achieve 60% of pre-retirement income<sup>1</sup>

| Years to retirement | Final income (Retirement income sought) |                     |                     |
|---------------------|---|---------------------|---------------------|
|                     | \$35,000 (\$21,000)                     | \$50,000 (\$30,000) | \$75,000 (\$45,000) |
| 10                  | 37%                                     | 51%                 | 59%                 |
| 15                  | 19%                                     | 29%                 | 35%                 |
| 20                  | 10%                                     | 17%                 | 22%                 |
| 25                  | 5%                                      | 10%                 | 14%                 |
| 30                  | 2%                                      | 6%                  | 10%                 |
| 35                  | 0%                                      | 3%                  | 6%                  |
| 40                  | 0%                                      | 1%                  | 3%                  |

<sup>1</sup> Projections based on fund net (after tax and fees) earning rate of 7% nominal and growth in average earnings of 3.75% with contributions being made by the employer and subject to 15% tax. **Source:** ASFA

# Is your life sufficiently “hedged”?



Earlier in this edition of Your Future, we talked about how hedging works in terms of protecting investments against negative events. We compared the idea of hedging to insurance.

But what, then, about protecting you and your family against negative events? What would happen, for example, if you suffered an illness or injury that prevented you from working? Or worse still, what would happen if you were to die? How would your

family cope financially if you were no longer able to provide for them?

People in their thirties and forties are generally busily paying off a mortgage and putting the kids through school. It's an important period in life when financial stability is vital. But how good is your personal hedging strategy? Do you even have one?

The good news is that EISS offers a range of competitive voluntary insurance products in the Accumulation Scheme designed to provide complete peace of mind. You can take out Lump Sum Death Only cover that pays out in the event of your death and you can add to that Total and Permanent Disablement cover. Plus, there's a Salary Continuance policy that provides income protection against disablement regardless of whether it is temporary or permanent.

So why take an unnecessary risk, when you can hedge? There's a brochure about Voluntary Insurance on our website [www.eisuper.com.au](http://www.eisuper.com.au) or call **1300 369 901** for more information.

In the Retirement Scheme there is also Additional Benefit Cover which provides a benefit on death or total and permanent incapacity prior to reaching retirement age. It is designed to compensate you or your beneficiaries for loss of future earnings. The amount of cover is calculated as a multiple of salary and is determined by the number of extra benefit points you would be expected to accrue up to retirement age. For further information about Additional Benefit Cover, please contact Member Services on **1300 369 901**.



## Trustee Selection is changing its name



### Retirement Scheme

*Trustee Selection* is the name of one of the six investment strategies Retirement Scheme members can choose from.

By 1 November 2010, the investment option *Trustee Selection* will be called *Growth*. This is a change to the name of the strategy only and there is no change to the underlying investment approach.

The Trustee believes that the name *Growth* best reflects the risk profile and objectives of the strategy given that the major proportion of assets (approximately 70%) are invested in growth type assets such as Australian and international equities. The balance is invested in income-producing assets. If you would like further information about the asset allocation and investment objectives of this strategy please go to our website [www.eisuper.com.au](http://www.eisuper.com.au)

You should regularly review your investment strategy to ensure it is the right one for your investment goals and

risk profile. If you would like to discuss this with one of our qualified financial planners please call **1300 369 901**.

### Defined Benefit Scheme

*Trustee Selection* in the Defined Benefit Scheme will now be known as *Defined Benefit Selection*. This is a change of name only and has no impact on the investment profile of this strategy.

The Defined Benefit Scheme is a pension scheme and pension benefits paid to members are not affected by investment performance so the investment style of *Defined Benefit Selection* has no impact on member benefits. However, if you would like further information about the asset allocation and investment objectives of this strategy please go to our website [www.eisuper.com.au](http://www.eisuper.com.au)

# Looking for a new home or investment property? It's easier with a 5 Star Chifley Home Loan



If you're thinking of upgrading your house or buying an investment property, it's important to be sure you have the most competitive home loan possible. There's no point paying more than you need to.

So, why not take advantage of the 5 Star Chifley Home Loan? The Chifley Home Loan is rated 5 Star by CANNEX, the independent financial services monitoring agency. A 5 Star rating means this mortgage loan offers "superior value" placing Chifley within the top 5% of home loan products, a pretty super endorsement when you consider there are over 2,000 products in the mortgage category.

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\*.

The Energy Industries Superannuation Scheme is a part-owner of Chifley Financial Services.

For more information on these or any of the other competitive loans provided by Chifley Home Loans, either call us on **1800 800 002** or visit our website **www.chifley.com**

\*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.

## Fair Go Departure Lounge – Resorts Accommodation



Shake off winter by heading north to warm up with a Departure Lounge escape. With more choice than ever, Departure Lounge is ready to send you on your next holiday or short break.

Members can save up to 55% with some fantastic winter specials at a range of Peppers, Mantra and BreakFree properties.

For couple escapes or family holidays, there is something for everyone!

Visit [www.eisuper.com.au/fairgo/departurelounge.asp](http://www.eisuper.com.au/fairgo/departurelounge.asp) for more information and current special offers.

## Annual Reports online



Help us reduce our carbon footprint by viewing our annual report online instead. Like last year you'll be able to see the report online at our website **www.eisuper.com.au** when it is released in December. If you would prefer a printed copy, please call us on **1300 369 901**.

# Frequently asked questions

## What is hedging?



The best way to understand hedging is to think of it as insurance. When people decide to hedge, they are insuring themselves against something negative that may happen in the future. This doesn't prevent a negative event from happening, but if it does and you're properly hedged, the impact of the event is reduced. It's just like insuring your house against theft, fire or damage. If any of these things happen, at least you're covered.

People investing in financial markets use hedging techniques to reduce exposure to potential risks, but it's more complicated than simply paying a premium to an insurance company. Hedging against investment risk means using financial instruments, such as forward contracts (an agreement to buy or sell at an agreed price on a fixed date), to minimise the risk of sudden downward or upward movements in the value of the investment. In other words, investors hedge one investment by making another.

However, hedging can't help us escape the harsh reality of the trade-off between risk and return. A reduction in risk will always mean a reduction in potential profits, so hedging is not so much a technique designed to make you money, but rather reduce potential losses. If the investment you are hedging against makes money, you will most likely have made less than you may have without hedging. But if the investment loses money, your hedge, if successful, will reduce that loss.

The most common type of hedging we engage in is currency hedging. The reason for that is to reduce volatility. For example, if you invest in something like International Equities (or shares) which is a volatile asset class in the first place, and you add the uncertainty of currency movements, it can become an extremely volatile investment. Hedging moderates the ups and downs that a currency might go through and makes the investment more stable.

Hedging, of course, comes at a price and investment managers will always consider whether the potential benefits justify the expense. The thing to remember is that hedging is not about making money, it's about protecting against potential losses in more volatile investment options.

## Why can't my spouse's name appear on my statement as the beneficiary?

The Trust Deed that governs EISS has specific rules about the payment of death benefits. Under the Deed, members can choose to make a binding nomination of beneficiary or not.

If you choose not to make a binding nomination of beneficiary, your death benefit will be paid to your spouse, if you have one. If you do not have a spouse, as defined in the Trust Deed, your death benefit will be paid to your estate.

If you choose to make a binding nomination, then the Trustee must pay the death benefit in accordance with your instructions. Binding nominations expire every three years and must be renewed in order to remain valid.

Either way, the Trust Deed under which EISS operates does not allow us to list a nominated spouse's name on the member statement as the beneficiary.

For further information please go to the Nominating Beneficiaries Fact Sheet located on our website [www.eisuper.com.au](http://www.eisuper.com.au) or you can request one from Member Services by calling **1300 369 901**.

# Investment performance

12 months to 30 June 2010

Retirement Scheme returns for the Contributor Financed Benefit

| Strategy            | %*   |
|---------------------|------|
| High Growth         | 11.3 |
| Trustee Selection** | 10.6 |
| Diversified         | 10.6 |
| Balanced            | 11.7 |
| Capital Guarded     | 10.2 |
| Cash                | 4.4  |

## Defined Benefit Scheme

| Strategy            | %*   |
|---------------------|------|
| Trustee Selection** | 10.6 |

\*All returns are shown to one decimal place.

\*\*The names of these strategies are changing. Please refer to the article in this newsletter "Trustee Selection is changing its name" for more details.

Investment returns shown are historical and future performance cannot be guaranteed. Investment returns can go up and down and past performance is not a reliable indicator of future performance.

## We can help you with more than just your super

- Would you like to build an investment portfolio?  
**We can help you.**
- Interested in gearing?  
**We can help you.**
- Need advice about maximising your Centrelink and other Government entitlements?  
**We can help you.**
- Looking for a low cost flexible home loan?  
**We can help you.**
- Need insurance?  
**We can help you.**

Call **1300 883 788** for more information.

# How have investment markets performed?



The 2009/10 financial year was a year of two halves. After a fantastic first six months where the Australian share market was up over 25%, the next six months saw it retreat back 10% to finish the year with a positive return just over 13%. Coming off the back of one of the worst financial years in history, at first glance a 13% return would appear to be reassuring, but there are underlying problems that need to be resolved if markets are going to advance from here.

Australia emerged from the global financial crisis (GFC) better than any developed nation. The Reserve Bank of Australia started to raise interest rates from as early as last October (bearing in

mind that the US, UK and Europe still haven't begun). Consecutive rate rises followed with the overnight cash rate reaching 4.5% by June 2010. Further to this, unemployment continued to fall; going from a level of 5.8% in July 2009 to 5.2% in June 2010. Add to this an annual inflation rate of 2.9% and annual GDP growth at 2.7% and it is easy to see why Australia has been the envy of the world in an economic sense.

The Australian Dollar (AUD) was closely watched by traders throughout the year and displayed its capacity for volatility by peaking at around 94 US cents and falling to 81 US cents within the space of two months as investors lost confidence and became concerned about the supposedly risky nature of the AUD preferring the seemingly 'safer' US Dollar.

The US economy still looks shaky and didn't really achieve any real stability throughout the year. US unemployment rose in the first half of the year, peaking at a rate of 10.1% before dropping down to 9.7% by June 2010. This left the Federal Reserve (the US central bank) with very little choice but to leave cash rates at close to zero for the entire year, and it indicated that this is likely to be the case for an extended period of time. Despite this stimulus, there was

little in the way of inflation indicating that consumers are just not willing to spend while unemployment remains a real threat.

Like Australia, it was a financial year of two halves for world markets. The first half started where the last one left off with significant positive monthly returns for five of the first six months. Investors responded to the sell-down of the previous 18 months during the GFC, which saw shares trading at valuations that were too cheap to ignore. From January onwards, though, it was a different story as broader economic factors, such as unemployment, inflation and growth forecasts, drove markets down.

As the recovery began to falter, concerns emerged that some European nations would be unable to repay their debt obligations and might require bail-outs from the European Central Bank and the International Monetary Fund. This sparked a lot of fear in financial markets as investors were concerned about the effects that this would have on the European banking system and corporate access to credit. These fears dampened returns in the last quarter of the financial year and until they are addressed may continue to weigh on investor confidence.

## Regional office details

### Lismore

81- 83 Molesworth St

### Newcastle

161 King St

### Orange

187 Summer St

### Parramatta

Ground floor, Suite 3/10-14  
Smith St

### Sydney

28 Margaret St

### Wagga Wagga

Shop 2/209 Baylis St

### Wollongong

Shop 2/60 Burelli St

### Albury\*

621 Dean St  
Office hours 8.30am - 5.00pm  
Monday - Friday

\*Bookings are essential. Phone 1300 369 901 to make an appointment.

If you have any questions, feel free to contact Member Services on 1300 369 901 or visit [www.eisuper.com.au](http://www.eisuper.com.au)



ENERGY INDUSTRIES®  
SUPERANNUATION SCHEME

### Head Office

Ground Floor  
28 Margaret Street Sydney

### Postal address:

PO Box N835  
Grosvenor Place NSW 1220

T: 1300 369 901

F: 02 9279 4131

[www.eisuper.com.au](http://www.eisuper.com.au)

This paper is certified under Environmental Management Systems ISO14001.

Please note that the information contained in this document is of a general nature only and does not constitute personal advice as it does not take into account your personal objectives, financial situation or needs. Any advice in this document is provided by FuturePlus Financial Services Pty Ltd (ABN 90 080 972 630) as an Australian Financial Services Licensee (AFSL 238445) on behalf of the Trustee of the Energy Industries Superannuation Scheme, Energy Industries Superannuation Scheme Pty Ltd (ABN 72 077 947 285). Energy Industries Superannuation Scheme Pty Ltd is an APRA Registrable Superannuation Entity Licensee (ABN Pool A - 22 277 243 559 and ABN Pool B - 64 322 090 181). Members should not rely solely on this information and should consider their own personal objectives, financial situation and needs before acting on this information. Prior to making any investment decision you should obtain and consider the relevant Product Disclosure Statement (PDS) pertaining to your Scheme membership and seek professional investment advice.