

# YOUR

# FUTURE



ENERGY INDUSTRIES®  
SUPERANNUATION SCHEME

ENERGY INDUSTRIES SUPERANNUATION SCHEME  
Accumulation Scheme - ABN 22 277 243 559

February 2009

## The markets and you

As you would already know, we are in the midst of a severe downturn in domestic and international share markets. This market downturn was triggered by the sub-prime mortgage crisis in the US and had massive flow-on effects causing problems in the global banking and business sectors and for many governments around the world. As a result we now see many economies falling into recession.

An important point to make is that the extent of the economic meltdown, which is now commonly referred to as the global financial crisis, was not foreseen by most financial commentators and analysts. It is fair to say that even when the economy and investment markets are relatively stable it is difficult to forecast the returns that members will receive in superannuation. With the unprecedented events that have occurred it has become impossible to predict when an economic recovery might take place and therefore when investment returns might improve.

It should be noted, however, that Governments and regulators here and abroad are engaging in substantial stimulus measures. The Australian Government recently announced a further stimulus package which may assist investment and employment. On the same day the Reserve Bank of Australia announced a 1% reduction in the cash rate to 3.25% and it is hoped that this will also stimulate the economy.

### So what should you do?

Superannuation for most investors is a long-term investment and sticking to a well-diversified, quality portfolio in line with your goals and risk profile remains the soundest long-term strategy. Whilst it may be tempting to be defensive in these times and to reduce exposure to growth assets (e.g. by moving investments to cash), such a strategy is unlikely to meet most investors' long-term targets.

History has also shown that investors who change asset allocation based on guesswork about whether the market is rising or falling (i.e. timing the market) rarely succeed. That's because they often crystallise losses by selling when asset prices are low and rejoin the market after asset prices have already begun their recovery.

If you are concerned about your investments or believe that they don't meet your long-term goals, please contact one of our financial planners by calling **1300 883 788**.

### We can help

Your super will more than likely be the largest investment you hold outside of your own home, so you need to stay calm in these times and commit to your long-term goals – that is, your



retirement goals. We can help. Call the Member Services team on **1300 369 901** to ask about our retirement planning service. As a member of the Super Scheme established for workers in the New South Wales Energy Industry, you and your family can attend our no cost seminars and we have a team of financial planners that can help guide you along the path to retirement.

To read a full commentary on how the asset classes performed over the past six months, please see the back page.

### The Scheme's returns

The Scheme's High Growth product returned -21.1% for the 6 months to 31 December 2008, Diversified -15.9% and Balanced -11.3%. Those with a greater exposure to cash or fixed interest didn't suffer to the same degree with Capital Guarded returning -7.1% while the Cash Plus option was up 1.8%.

You should remember that superannuation remains a tax effective, long-term investment. Over the 5 year period to 31 December 2008, the Scheme's returns are as follows:

Strategy	%p.a.	Strategy	% p.a.
High Growth	3.0	Capital Guarded	3.7
Diversified	3.6	Cash Plus	4.8
Balanced	3.7		

Note: All Scheme returns are shown to one decimal place.

# Be [com]pound wise



Being “penny wise, pound foolish” may be a wise saying in many situations, but not when it comes to super. In super, every penny counts. That’s because you benefit from compound interest.

Compound interest helps you build wealth faster. Interest is paid on previously earned interest as well as on the original deposit or investment. For example, \$5,000 deposited in a bank at 6% interest for a year earns \$308 if the interest is compounded monthly. In just five years, the \$5,000 compounded annually will grow to a total investment of \$6,691.

The same applies if your returns are reinvested back into your superannuation account so that you can keep earning more returns on them. The benefits just keep adding up the longer you keep your money invested. Every penny you invest has the potential to grow exponentially over time and in super the long term is really important.

Thanks to medical advances, most of us are going to live much longer than earlier generations and are likely to spend many more years in retirement than they did. Unfortunately, however, most of us won’t have saved up enough to enjoy those years in the way we might have hoped for.

According to a recent survey backed by ASFA, to achieve a comfortable retirement a couple would need to spend \$50,086 a year while a ‘modest’ retirement lifestyle would set them back \$27,151 a year. The Age Pension, however, only pays \$24,414 per couple per year at present. And, there’s a big difference between a comfortable lifestyle in retirement and a more modest one.

The modest budget allows for the basics but very little else. For example, both eating out and entertaining at home is very restricted and no overseas travel is possible. The extra expenditure that comes with a shift from a modest lifestyle to a comfortable lifestyle in retirement adds a lot to enjoyment, comfort, style, holiday travel, health insurance cover, and the ability to participate fully in modern Australian society. At the modest budget level, many retirees would not be able to participate in a range of sport and social activities that involves out-of-pocket expenses of various sorts.

So if you want to improve your lot in retirement, start making every penny count now so that you can benefit from compounding. However, if you are concerned about the current investment market turbulence, consider this: Super is a long-term investment and while the short term looks uncertain the share market and asset prices generally are much cheaper than they were 12 months ago.

If you’d like to discuss how to start making every penny count, call Member Services on **1300 369 901**.

# Take control of your debts



With Christmas out of the way and economic conditions tightening, now could be a good time to take control of any debts you have.

Debt can spiral out of hand if it isn’t used wisely. Remember the interest you pay on debt, including credit card debt, is money that cannot be saved or invested - it’s gone forever!

**The first step** in managing your debt is to draw up a realistic budget to track where your money goes and ensure that you don’t spend more than you earn. Included in your budget should be a list of all your ‘contractual’ payments (i.e. payments you must make on loans), such as your mortgage or car loan repayments. You should also examine how much excess income you can have to pay off debts. If you would like a budget planner to help you with this, please contact Member Services on **1300 369 901** to request one.

**Step two** is to rank your different debts according to the interest charges they incur, from the most expensive to the cheapest.

**Step three** is to draw up a plan to eliminate these debts. Questions to consider include:

How long will it take to pay off the loans if you keep repayments at the same level?

Will you pay higher fees and charges if you pay off any of your loans earlier? (Some loans have conditions that lock you in).

Can you claim a tax deduction for the interest paid on any of your loans?

It makes sense to pay off the more expensive debt such as your credit card first, rather than the cheaper debt, which is usually your home loan. You then save the difference in interest between the more expensive debt and the cheaper debt.

You might also consider consolidating all your loans into the lowest interest loan, such as your home loan. But check first that there are no penalties for repaying your existing loans early and that there are no fees for increasing your mortgage.

# Watch your super tab

Every cent counts in super - not only the cents you invest, but also those you pay in unnecessarily high fees and charges.

Indeed, in the same way as compounding can boost your savings, high costs can gobble them up, and sometimes quite quickly. For example, total annual fees and other costs of 2% of your Scheme balance rather than 1% could reduce your final return by up to 20% over a 30 year period.

While you may not notice the unnecessary costs when investment markets are booming, they can really add to the pain when returns are negative.

Here are some important questions to ask when comparing the different superannuation offerings out there.

## **Q: Who makes money out of the fund?**

Energy Industries Superannuation Scheme is here solely to service members and return all of its profits to its members. Many other funds, however, are required to make profits for shareholders and as a result, are likely to charge more for their services.

## **Q: What fees are charged?**

Fees and charges vary widely from fund to fund. It can also be expensive to move in and out of some funds which have hefty entry and exit fees. If you want to make a change, you should examine the Product Disclosure Statement of any fund to assess its fees and charges. But make sure you are comparing apples with apples. And, most importantly, compare what you are getting in return for these fees.

In the Energy Industries Accumulation Scheme, we:

- Have a competitive administration fee of 75 cents a week
- DON'T charge any entry fees
- Allow you one free switch of investment options per financial year
- Have a varying management fee according to what investment option you are in
- Use our bargaining power to keep fees to a minimum and competitive.

## **Q: How much does financial advice cost?**

Many super funds will charge you a set rate to consult with a financial planner. Some may not charge you, but their planners will earn a commission on the money you invest with them.

At Energy Industries Superannuation Scheme financial advice provided by FuturePlus Financial Services is at no additional cost and our planners are only paid salaries. This means their advice will be based on your needs.

## **Q. Does the fund offer ways to cut my costs?**

At Energy Industries Superannuation Scheme, we offer:

- Access to low cost home loans
- Low cost insurance options obtained because of our economies of scale
- Savings on a variety of every day items such as phone contracts and pharmaceuticals and specials on a host of lifestyle benefits such as travel, accommodation and entertainment through our loyalty program, Fair Go Member Benefits.

## Is a Self-managed Super Fund (SMSF) the way to go?

There is evidence to suggest that with markets and investment returns as shaky as they've been in recent times, some Australians have panicked and looked at starting their own DIY or Self Managed Superannuation Fund (SMSF).

SMSFs have some advantages, especially for those who have a keen interest in investment markets. They have been one of the fastest growing segments of the superannuation industry in recent years and now hold about 26 per cent of Australia's super savings.

But with your super being so vital to how you spend your years in retirement, it's important to look before you leap. Here are two questions you should ask yourself.

### 1. Do you have the time and skills?

'Self managed' super means you do all the work or pay people to do it for you. Have you got the time to keep up with what's happening in investment markets? Have you got the skills and experience to do a better job than those professionals whose entire day jobs are spent following markets and investment trends?

The key reason people choose SMSFs is to gain control over their affairs and the way their super money is invested. But with greater control comes obligations and a mountain of paperwork. Trustees of SMSFs have to submit regular income tax and regulatory returns and comply with a number of super and tax laws.

Trustees also have a host of legal responsibilities, including keeping proper records for 10 years, knowing their fund's investment strategy is consistent with the Trust Deed and not lending super money to members or relatives. If they don't comply, the Australian Taxation Office can impose penalties ranging from fines and loss of tax concessions or imprisonment.

### 2. Will the benefits be worth the cost?

Many commentators suggest you need around \$250,000 in super to make the costs of an SMSF worthwhile. They say that with less than this amount, the fund may have difficulty earning enough to cover the set-up and running costs, such as auditing and regular reporting fees. According to the Australian Securities and Investments Commission, SMSFs can typically cost around \$1,700 to run each year (and often much more) and that's before you take investment fees into account.

In contrast, the administration costs of being in this Scheme are at most \$4.33 a month. Because of its size and large buying power, the Scheme is also able to offer you the kind of life and other insurance at rates you'd be hard pressed to secure on your own. It also provides free financial planning advice which isn't available to trustees in SMSFs. Also, don't forget the cost of your time, which might be better spent elsewhere.

It's vital to remember that higher costs can eat into your savings balance. Even a small difference in costs can have a large impact over time.

Not sure what to do? If you'd like to talk to one of our financial planners about your superannuation options, please call **1300 369 901**.

# Choosing the right investment strategy



In superannuation, one size does not fit all. Not everyone has the same tolerance for risk. Different people will have different needs and will expect to retire at varying times.

One way to personalise your super is to choose an investment strategy that meets your needs. But when choosing an option that's right for you, you should consider your investment goals and your current financial position.

You should consider how much risk you can stomach and remember that while some asset classes, such as shares, usually produce higher returns over the long term, they also come with higher risks and are prone to more volatility than low risk investments like cash.

Your investment time frame is also important. You'd need a longer time frame for higher risk strategies to allow them to ride out volatile market cycles, like the one we are currently experiencing. As your investment time frame shortens, you might want at least part of your super in low risk investments as a buttress against any short-term volatility across markets.

The importance of the anticipated investment time frame explains the thinking behind the age-based investment strategy default system. For those members who do not make their own investment choice the Scheme will place you in a strategy determined by your age; the longer the investment time frame the more aggressive the strategy selected by default. For example, Diversified is selected for those under 46 and who have at least

ten years before retirement while Capital Guarded is chosen for those over 55 whose investment time frame may be much shorter. For more information about this consult the Product Disclosure Statement or call Member Services.

## This Scheme offers five investment strategies:

The **High Growth** strategy invests a very high proportion of its funds in growth assets, such as Australian and international equities and property. This combination aims to earn high real investment growth above the cash rate over a five year period. Because the emphasis is on growth, you should keep in mind that there may be short-term volatility in this strategy. In other words, the value of the investment may fluctuate over the short-term. Its chance of a negative return in any year is one in three.

The **Diversified** strategy also invests a high proportion of its funds in growth assets, but is also invested in income-producing assets, such as interest-bearing securities. It can experience short-term volatility, but not to the same extent as the High Growth strategy. Its chance of a negative return in any year is one in four.

The **Balanced** strategy invests a proportion of its funds in growth assets, semi liquids and private equity and the balance in income-producing assets. More of its assets produce income, making it more stable than the High Growth and Diversified strategies. Its chance of a negative return in any year is one in five.

The **Capital Guarded** strategy invests a small proportion in growth assets and the balance in income producing assets. Although it is relatively more stable than the above strategies, its returns can still fluctuate. Its chance of a negative return in any year is one in eight.

The **Cash Plus** strategy invests predominantly in short-term Australian money market assets. A small proportion of its assets are invested in global interest type assets, which provide it with the opportunity to earn higher returns with only a small increase in the overall volatility of the returns. Depending on market volatility, there is a chance that this strategy may experience a negative return, but this is expected to only be for periods of no more than a month. Over longer time frames, the chance of a negative return would be remote.

If you are unsure which investment strategy you should be in, help is just a call away. You can reach Member Services on **1300 369 901**.

## Fair Go Australia's Best Value Car Rental



Thrifty, one of Australia's largest vehicle rental companies, is offering members exclusive rates on Australia's most diverse range of cars, trucks, buses, 4WD's & luxury vehicles from over 260 Thrifty locations nationwide.

Members also receive substantially reduced Compulsory Premium Protection on cars and trucks only applicable when booking on your exclusive member rates.

To book online visit [www.eisuper.com.au](http://www.eisuper.com.au) or call Thrifty Australia on **1300 367 227** and quote your Corporate Discount (CD) Number: FAIRGO

# Calling all first home buyers



As part of a \$10.4 billion package designed to stimulate the Australian economy, the Government has announced a temporary "Boost Scheme" which will double the first home owner grant to \$14,000 for existing homes and triple the grant to \$21,000 for newly-built homes or new homes to be constructed. Additionally, first home buyers in NSW who qualify for the First Home Owners Grant and are buying a newly constructed home or building their first home will be eligible for an additional \$3,000 payment known as the NSW New Home Buyers Supplement. This letter grant is for a limited period and will be funded by the NSW Government.

But be careful! To be eligible, you must have entered into a contract between 14 October 2008 and 30 June 2009 (inclusive).

The existing arrangements for first home buyers also include free stamp duty on purchases up to \$500,000. The NSW Office of State Revenue has an excellent website – check it out at [www.osr.nsw.gov.au](http://www.osr.nsw.gov.au) and see if you're eligible for the grant and the discount in stamp duty.

The new arrangements will go a long way towards helping you buy your first home. Don't forget that when you are borrowing more than 80% of what the property is worth, it will be necessary for Loan Mortgage Insurance to be included in the financing arrangements. These days, lenders are looking at applications

a little more closely, so the higher the equity you have the better chance of an approval.

Remember, once you've accumulated enough for a deposit using the Boost Scheme, you can further boost your opportunities by securing one of the most competitive home loans on the market through Chifley Home Loans, which is part owned by this Scheme.

Chifley Home Loans can provide you with a low interest rate, a choice of loans to suit your circumstances and a simple process that takes all the hard work out of getting and maintaining your home loan.

Some of our Home Loan features include:

- Low interest rate
- Application fee - \$0
- Monthly account keeping fee - \$0
- Split loan fee - \$0
- Electronic redraw fee - \$0
- Redraw facility - yes
- Five Star Rating from Cannex, the independent financial services monitoring agency\*.

Any intending first home buyers should contact the friendly staff of Chifley Home Loans on 1800 800 002. It's there for you so you may as well use it! Chifley Home Loans also welcomes enquiries from members who have already bought their homes and who want to give their existing loans a health check.

\* Credit provider is Select Credit Union.

Conditions apply. Legal and government and other fees may 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.

## Salary sacrificing treated as income

The most important superannuation-related change announced in the Labor Government's first Federal Budget in May last year concerns salary sacrificing.

The Government has proposed that from 1 July 2009, salary sacrificed super contributions will be assessed as income when calculating certain income-tested benefits and rebates delivered through the tax system. These could include government support programs such as the Co-contributions Scheme, income

support for people below age pension age, child support and family assistance.

This means that you will no longer be able to use salary sacrifice superannuation contributions to qualify for or increase your entitlement to these support programs. If you'd like to review your salary sacrificing strategies in light of the changes, you can talk to one of our qualified financial planners. As a member of this Scheme, this service is available at no extra cost to you. Just call Member Services on **1300 369 901**.

## Regional office details are:

### Lismore

81- 83 Molesworth St

### Newcastle

161 King St

### Orange

187 Summer St

### Parramatta

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.

# How have investment markets performed?

The impact of slowing world economies, volatile global markets and the credit crunch combined to make 2008 a horror year for many of those invested in anything other than cash and government bonds.

It all started with the bursting of the US housing bubble, which exacerbated the subprime mortgage crisis and soon mushroomed into the worst credit crisis in a generation. Lenders stopped lending, unemployment started rising and consumers put a break on their spending, hurting world economies and especially the US.

Fear escalated and confidence was particularly knocked when Lehman Brothers declared bankruptcy in September. Some of the world's most respected financial institutions had to be bailed out by their governments while short sellers and calls on margin loans forced markets down even further.

As the year drew to an end, all hopes were being pinned on the stimulus packages introduced by governments around the globe, including in Australia. In December, pensioners and families received an \$8.7 billion cash boost as part of Prime Minister Kevin Rudd's plan to encourage Christmas consumer spending to boost the economy. The Reserve Bank of Australia also cut official interest rates by 1% in December making a total reduction in interest rates of 3% for the last six months of the year.

**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 shares

A fall of 29.7%\* in the second half of 2008 contributed to Australian shares' worst year on record. Markets were ruffled by the slowing of world economies, the failure of some revered organisations abroad and the liquidity crisis. Companies began revising their earnings forecasts and short sellers stepped in to further drive share prices down (until the Government banned them from doing so).

Despite a late rally in December local equities ended the year down 40.4%\* worse than the 32% fall during the oil shock of 1974 and the 34% drop in 1930, during the Great Depression.

Larger listed companies fared better than small ones, and Australian shares performed worse than those in US and UK because they were coming off record highs.

\* as measured by the All Ordinaries Accumulation Index.

## International shares

Following a 33.5%\* slump in the second half of 2008, global shares were down 40.3%\* in \$US terms over the year as the credit crisis

and poor economic outlook knocked investor confidence around the globe.

US equity markets fell less than many other markets. The Dow Jones finished the year down 33.8% - its bleakest year since 1931 - and the broader S&P 500 index was 38.5% lower. The US was officially declared to be in recession in December and much hope is being pinned on its US housing market recovering and on new president Barack Obama's spending plans.

Lower interest rates helped lift some Asian and European markets in December, but failed to halt sharp declines for the year. However, none fared as badly as Iceland, which sank 89.98% after the country was effectively declared bankrupt in October, or Russia, which lost 74.3%.

\* as measured by the MSCI World Accumulation Index.

## Listed property trusts (LPTs)

Australian LPTs slumped 34.3%\* in the second six months of 2008 and 55.3%\* over the year. In recent years, many LPTs had moved away from being conservative collectors of rent and had become highly geared, relying heavily on borrowings to grow their businesses. The global credit crunch pulled the rug from under them as access to funding dried up and exposed some poor judgement amongst managers. Cash strapped, several put properties up for sale while investors worried that property values and vacancy rates would decline as the economy deteriorated.

Globally, LPTs fared only a little better, falling almost 40%\*\* over the six months to end December and by 45%\*\* over the year, but strong gains in the European and US markets in December helped ease their decline.

\* as measured by the S&P/ASX 300 Prop Trust Accumulation Index.

\*\* as measured by the UBS Global (ex Australia) Property Investors Net Index \$A hedged.

## Fixed interest and cash

Government bonds were star performers. Their yields were pushed lower when investors rushed into these safer assets to avoid turmoil elsewhere, and demand rose. They proved their worth towards the end of the year after returns on cash fell when interest rates were lowered around the world.

Corporate bonds didn't fare nearly as well. Their illiquidity remains a problem and there are concerns that the risk of default may rise given tightening economic conditions in many countries.

Australian bonds returned 12%\* in the second half of the year and almost 15%\* over 2008. Globally, bonds were up 6.9%\*\* over the last six months and 9.2%\*\* for the year.

The Reserve Bank of Australia lowered its official cash rate from 5.25% to 4.25% in December and interest rates fell in many other countries too. This limited the performance of cash which earned 7.6%^ over the year and 3.7%^ in the second half.

\*as measured by the UBS Australia Composite Bond Index.

\*\*as measured by the Barclays Capital based Aggregate Index - \$A hedged.

^as measured by the UBS Australian Bank Bill.

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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 decision you should obtain and consider the relevant Product Disclosure Statement (PDS) pertaining to your Scheme membership.

