

Spectrum Super
Design your future

Investornews

Winter edition 2011



> Be prepared for
the unexpected

> Financial health check

> Market
commentary

> Win an
iPad[®] 2

Contents

- 2 Are your affairs in order?
- 4 Protection for your family's finances
- 6 Financial health check
- 9 Market commentary
- 12 Easy online access

Win one
of seven
iPad[®] 2s

see page 12





Welcome to the 2011 edition of Investor News.

It has been a year of notable highs and lows which have had both local and global economic impacts.

The Australian dollar has been stronger than it has been in many years. It has not just achieved parity with the US dollar for the first time in 28 years but it has maintained it for several months and strengthened even further. Though this has reduced the attractiveness of Australian assets and businesses to overseas investors, it is one of the major reasons why the Reserve Bank of Australia only raised interest rates once last financial year.

Internationally, we have seen the debt crisis increase in countries such as Greece, Ireland and Portugal, which has led to social unrest and volatility in the markets.

We are here to help

It can be hard to predict the future for the next financial year, but we are here for you no matter what the next year brings because your financial wellbeing is important to us. This edition of Investor News covers some of the hot topics which are facing Australian investors right now, from ways to safeguard your estate, to the importance of insurance and building wealth. If you have any questions or would like to discuss your financial situation please speak to your financial adviser or contact our **client services team** on **1800 333 500** or email **info@spectrumsuper.com.au**

Christopher Kelaher
Managing Director
IOOF Holdings Limited



Are your affairs in order?

Death or serious injury is not something we like to sit and contemplate but by planning now you can save a lot of heartache for your loved ones.

The term 'estate planning' might sound like you need to be wealthy, but you don't need to be rich to plan for the future. A good estate plan covers not only the

money and assets you leave behind but also details things such as a guardian for your children and what should happen to you if you become incapacitated.

Create a Will

The most common part of an estate plan is a Will. A Will can include items of:

- financial value – houses, cars, shares or cash
- sentimental value – books, furniture or photos
- guardianship for your children.

A Will is important because without it, your estate may be divided in a way you had not planned. For example, if you die without a Will and have a spouse and children, your spouse won't necessarily get your complete estate.

Complete your super death benefit nomination

Your superannuation is most likely your biggest asset outside of your house. It is possible for you to inform the Trustee of where you would like your super to go by filling out a death benefit nomination form. Binding nominations are valid for a limited time, you will need to complete a new form or confirm your binding nomination every three years. You should also revise your nomination each time your personal circumstances change (such as if you marry, divorce or have a child).

Create a living Will

By creating a living Will, you can detail your wishes in the event of you being on life support or if you need medical intervention. Without a living Will, your family may disagree about treatment, which could cause considerable distress.

Create a power of attorney or power of guardianship

There are generally two types of power of attorney/power of guardianship documents that deal with these issues:

- **Financial** – you appoint a person to act on your behalf on all financial matters such as paying your bills and selling assets.
- **Health care** – you appoint a person to make medical decisions on your behalf and can discuss your health issues and care with your medical professionals.

These types of documents are important should you become incapacitated. Be sure to discuss your wishes with the people you nominate beforehand so they can act appropriately.

See a professional

Getting your affairs in order doesn't have to be difficult. Get professional assistance from a financial adviser, an estate planner or a solicitor – you'll find it makes things a lot less complicated.

Protect your family's finances



It's always a good idea to insure items of value and there aren't many things more valuable than your income. But a surprising number of people have little or no insurance that would protect their finances if they couldn't work. For some, this could end up being a very costly mistake.

As a starting point, you should consider two types of insurance cover:

- Insurance cover that will pay a lump sum if you die or can never work again – generally called death and total & permanent disablement (TPD) cover.
- Insurance cover that will pay you the majority of your salary if you're not able to work for a period – generally called income protection.

Why two insurance policies?

If you die or are totally and permanently disabled, your family are likely to suffer financial stress, compounding their

emotional stress as they struggle with expenses in the absence of your income. Death and TPD cover provides a lump sum to help your family with things such as the mortgage, other debt, education expenses and medical expenses.

A less serious illness or injury can also put significant strain on your finances, which is where income protection cover comes in. It pays up to 75 per cent of your income for a specified period while you're unable to work. This allows you and your family to meet the day-to-day living expenses which still need to be covered regardless of whether or not you're earning an income.

Insurance in super

One of the easiest ways to get insurance cover is through your super account. You may already have some but that doesn't always mean you have enough. You're most likely on a default level of cover so you should take the time to figure out whether what you have is enough to meet your needs.

Start with these easy steps:

Step 1

Check the 30 June statement you just received. Listed on your statement will be details of the insurance you hold within your super account.

Step 2

Start adding up the expenses that would need to be met if you couldn't work – both short-term and long-term.

Step 3

Make an appointment to speak to your financial adviser. Your planner can help you decide whether the insurance you hold is enough to cover your expenses. If it's not, they can help you apply for additional cover.

Benefits of insurance through your employer's super plan

There are a number of benefits to holding your insurance through your super account:

- **Automatic acceptance** – you don't have to go through any medical checks to receive standard insurance cover automatically when you start work.
- **Competitive premiums** – the cost of insurance through your employer super account attracts corporate discounts and can often be lower than the same cover offered to individuals.
- **Tax effective** – your premiums are paid with pre-tax dollars from your super account which makes them even cheaper. The Plan passes tax deductions for the insurance back to you.

New, increased automatic acceptance limits

The automatic acceptance limit (AAL) is the maximum amount of cover you can receive without needing to provide medical proof that you are in good health. We recently negotiated an increase to our AALs with our insurer which means that if your insurance was previously capped by the AAL, you may be entitled to receive a higher level of cover.

Despite the fact that we may have increased the amount of insurance cover you receive, you should still investigate whether it is enough to meet your needs.



Financial health check

If you're dreaming of a healthy financial future, now is the time to take action. Spend some time going through our simple life-stage checklist below to make your finances as healthy as they can be.

Create and build (aged 25 - 45)

This is a great time to get your finances off to a flying start. At this stage of your life, you have an extremely valuable commodity at your disposal – time. Being a long way out from retirement means that saving, even small amounts, can make a big difference through the power of compounding (earning interest on interest).

As you progress further through this life-stage, you're likely to take on a significant amount of debt – primarily through a mortgage. A key focus should be paying down this debt quickly. But don't discount the opportunities presented by other forms of investment.

Consider some of the following strategies:

Budget

- Prepare a budget that you can follow.
- Include a plan to spend and save.
- Know what you are saving for.
- Use pay rises to fund your regular savings.

Manage your debt

- Reduce unnecessary spending.
- Pay off your credit card at the end of every month to avoid high interest charges.
- Consider consolidating credit card debt into a personal loan.
- Aim to pay down your non-deductible debt (mortgage).

Maximise your savings

- Transfer accumulated savings into investment options that are in line with your investment strategy.
- Consider using a mortgage offset account to help reduce loan interest while giving you access to cash.
- Consider using a line of credit in addition to your mortgage for investments.

Add to your super

- Consider salary sacrificing into your super.
- Check to see if you're eligible for the annual Government super co-contribution.

Reduce your risk

Make sure you have sufficient death, total & permanent disablement (TPD) and income protection insurance.

Manage and maximise (aged 46-65)

This is normally when most people are earning their greatest income. Your career is likely to be reaching its peak and your salary hopefully reflects this. At the same time, you may find that some of your expenses are decreasing. The kids may be starting to leave home (hopefully) and you may be reaching the end of your mortgage.

Given that retirement is just around the corner, it's vital that you use this period of increased income/lower expenses to set yourself up for retirement. Now more than ever you need to be sure you have the right insurance cover in place. All

your retirement plans will quickly unravel if you find yourself unable to work for an extended period and you don't have insurance to fill the gap.

Consider some of the following strategies:

Budget

- Prepare a budget that you can follow.
- Make plans once your mortgage is paid off.

Super

- Consider salary sacrificing into your super.
- Make the most of your concessional contribution cap.
- Check to see if you're eligible for the annual Government super co-contribution.
- Consider splitting contributions with your spouse.

Minimise tax

Consider a transition to retirement strategy which can reduce tax and boost super.

Investment strategy

- Calculate how much you're likely to retire with and whether it will be enough.
- Review your investment strategy against your current circumstances.
- Ensure you have the right balance of risk and return.

Reduce your risk

- Make sure you have sufficient death, total & permanent disablement (TPD) and income protection insurance.

- Consider additional insurance options – trauma, critical illness, business expense.

Estate planning

- Ensure you have a valid Will in place.
- Make a binding nomination within your superannuation or pension account.
- Put appropriate powers of attorney in place.

Enjoy and transfer (aged 65+)

It's time to enjoy the rewards for all your hard work. You're aiming to lead a long and healthy life, so make sure that your finances are going to keep pace.

Reconsider your investment options in your super. You need access to your money so you may want to reduce the level of risk in your portfolio. There may still be a place for some higher risk/higher return assets that are going to help your portfolio grow over the long term. It is important to get this balance right – your superannuation investments may need to fund your next 20 years or more.

Make sure you're taking advantage of all of the government benefits you're entitled to. Having built a nest egg for yourself, it's important that you carefully plan what will happen to it when you're not around by implementing an estate plan.

Consider some of the following strategies:

Budget

- Prepare a budget that you can follow.
- Review spending in light of your reduced income.
- Downsize where appropriate.

Investment strategy

- Review your investment strategy against your new circumstances.
- Ensure you have the right balance of risk and return.

Estate planning

- Ensure you have a valid Will in place.
- Consider making a binding nomination within your superannuation or pension account.
- Put appropriate powers of attorney in place.
- Consider aged care options.

Centrelink benefits

Ensure you're receiving all the benefits you're entitled to.

Structure your income and assets for minimal impact on your entitlements.

What's next?

You should consider your own personal financial circumstances and add in any steps that address your particular needs. The key to financial success is being able to access the right kind of financial information and advice that is tailored to suit your circumstances and your financial needs. You can get help with this by working with a trusted financial adviser.

Once you have a plan in place, remember to review it with your financial adviser at least once a year. You need to know whether you're still on track and make any changes as your circumstances change.



Market commentary

Market indices for the financial year to 30 June 2011

The below table outlines the growth in various market indices over the last financial year

Australian shares (S&P/ASX200 Accumulation index)	+11.73%
US shares (S&P 500)	+28.10%
International shares (MSCI World ex Australia index Hedged)	+26.72%
Fixed interest (50% UBSA Composite Bond index and 50% Barclays Capital Global Aggregate Bond index \$A hedged)	+6.24%
Australian property (S&P/ASX 300 Property Trust Accumulation index)	+5.87%
International property (UBS Global Investors ex Australia index AUD Hedged Net TR)	+36.60%

The year in review

One of the biggest stories of the 2010/11 financial year was the continuing sovereign debt crisis in the periphery of the euro zone. It appeared to stabilise at the start of the period but intensified

as the year went on. Greece, Ireland and Portugal continued to struggle with debt levels. Portugal finally sought support from the European Financial Stability Facility and Standard & Poor's downgraded Greek sovereign debt to CCC, one notch above default.

The recovery in the US remained fragile. Impressive growth in the share market was not reflected in other economic data which remained weak and cast a doubt over the resilience of the economy. The Federal Reserve carried out a US\$600 billion program of bond purchases through the year which was designed to stimulate the economy.

In Australia, concerns over a 'two-speed' economy continued as the resource sector boomed but the rest of the economy remained subdued. The RBA expressed concern over inflationary pressures on a number of occasions but only raised rates once during the year – a 25 basis points rise to 4.75 per cent in November.

The Australian dollar rallied strongly over the course of the year. It appreciated against most currencies but gained most ground against the US dollar which suffered from continued weakness. The Australian dollar broke parity with the US dollar in November, briefly flirted with US\$1.10 at the end of April and ended the year just over US\$1.07.

Outlook for the year ahead

Global events have buffeted investor confidence over the last six months. Worries ranging from the sovereign debt crisis in Europe, a patchy US economic recovery, political unrest in the Middle East, and natural disasters have kept investor interest in equity markets down. Despite the recent gloom, many of these issues will abate with time as central banks continue to support weaker economies and China continues to drive demand in our region. As economic risks subside, investors will refocus on equity markets attracted by the high dividend yields, cheap valuations, and strong corporate balance sheets now on offer. The outlook for fixed interest markets is less clear. Yields in Australia, particularly for bank term deposits, will likely stay attractive for some time as the RBA keeps cash rates on hold and wholesale funding for banks remains expensive. US bond markets are less attractive with government bonds on very low yields combined with a risk of a downgrade to their AAA credit rating. We have positioned our portfolios tilted towards Australian cash in preference to longer term international bonds. In terms of currency, we hold the view that the Australian dollar is overvalued and we are watching closely the market action surrounding upcoming events that could trigger a risk aversion episode and a subsequent fall in the Australian dollar. These include the events in Europe, the US debt ceiling deadline and the downside risks to China. As a result of this view, we have positioned portfolios tilted towards unhedged global equities.



Given the outlook for the year, where should you invest?

It's a good question and one not easily answered. It takes an incredible amount of time, effort and expertise to find the best places to invest your money. Most investors simply don't have the resources to investigate all the investment options available, choose the best and combine them in the right proportions to create their portfolio.

Fortunately, you don't have to.

Spectrum Super provides members with a range of multi-manager funds, called United ready-made portfolios, which make investing easy. Each of the funds within the United multi-manager range consists of a range of leading fund managers across a number of asset classes to suit your investment needs. The asset classes and proportions are carefully managed by our in-house team of experts to ensure that the Fund is well suited to the needs of members with that risk profile.

The best way to illustrate this is with an example. If you place \$10,000* in the United Capital Balanced Fund:

- \$2,460 will be invested in Australian shares (spread across seven different managers)
- \$1,970 will be invested in international shares (spread across five different managers)
- \$1,420 will be invested in Australian fixed interest (spread across three different managers)
- \$1,030 will be invested in international fixed interest (spread across three different managers)
- \$2,620 will be invested in cash and short term securities (spread across two different managers)
- \$200 will be invested in Australian property (spread across two different managers)
- \$300 will be invested in international property (spread across two different managers).

In addition to the United Capital Balanced Fund, United has Conservative, Defensive, Growth, High Growth funds as well as a range of single-sector funds. All of this makes it easy to access a well-diversified portfolio of investments tailored to your needs without the work and risk involved in constructing it yourself. For a complete list of the ready-made portfolios available to you, refer to the product disclosure statement, visit our website, www.spectrumsuper.com.au or speak to your financial adviser.

*as at 31 May 2011



Easy online access

Managing your super online is a convenient, easy way to keep on top of things. Whether you want to view your balance or investment earnings, update your personal details or completely change your investment portfolio, you can be in control 24 hours a day.

Functions available online

With a comprehensive range of online tools, you can choose how much or little you view or manage your super online. If you are interested in managing where your super is invested, there are transaction options available which can help.

By using online access, you can view your:

- account balance
- transaction history

- investments
- BPAY® details
- insurance cover
- death benefit nomination
- future cash flow strategy
- portfolio reporting, including account return information across any period and detailed transaction listing.

Using online access you can also:

- update your personal details
- supply your tax file number
- buy and sell shares

- buy and sell managed funds
- switch from one managed fund to another
- amend your future cash flow strategy.

How to register for online access

If you haven't logged on to online access before, you will need to register first. Registering for online access is easy.

If you register before 30 November 2011, you will automatically go into a draw to win an Apple® iPad®2.

All you need to do is visit www.spectrumsuper.com.au, click on the login and then 'register for access' link and follow the instructions to register.

You will receive an email with a link to complete your registration process, after which you'll be able to log in to your account right away.

Where to go for help

You should find the online registration process pretty straight-forward. If you need any help, you can always call our **client services team** on **1800 333 500** or **info@spectrumsuper.com.au**

Win an Apple® iPad®2

Keep in touch with your investments with online access.

Register for online access for the first time by 30 November 2011, and automatically go into a draw to win an Apple® iPad®2*.



* For full terms and conditions visit www.spectrum.com.au

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Get the right advice

You should always get good advice to help you decide where to invest your money. Your financial adviser will help you understand your investment needs and appetite for risk and suggest appropriate investments for your portfolio.

A financial adviser can help you with all aspects of your financial needs including:

- budgeting and saving
- managing tax impacts
- establishing a Will and considering the full range of estate planning options
- protecting your family with the appropriate level of insurance
- setting up trusts and structures for your investments as required.

Speak to your financial adviser about how they can help you achieve your financial goals.

If you don't have a financial adviser, we can put you in contact with one in your area.

Call our **client services team** on **1800 333 500** for a referral.

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