

Medical & Associated Professions
Superannuation Fund
a sub-plan of Spectrum Super



investor news

Newsletter for MAP Super members

Summer 2010



> After the comeback –
What does 2010 hold?

> Less talk,
more action



Welcome to Investor News

After trying conditions over the past few years, it was encouraging to see markets come back strongly in 2009. It sets an interesting scene for 2010 and our feature article on page 6 provides some insight into what we can expect over the next 12 months.

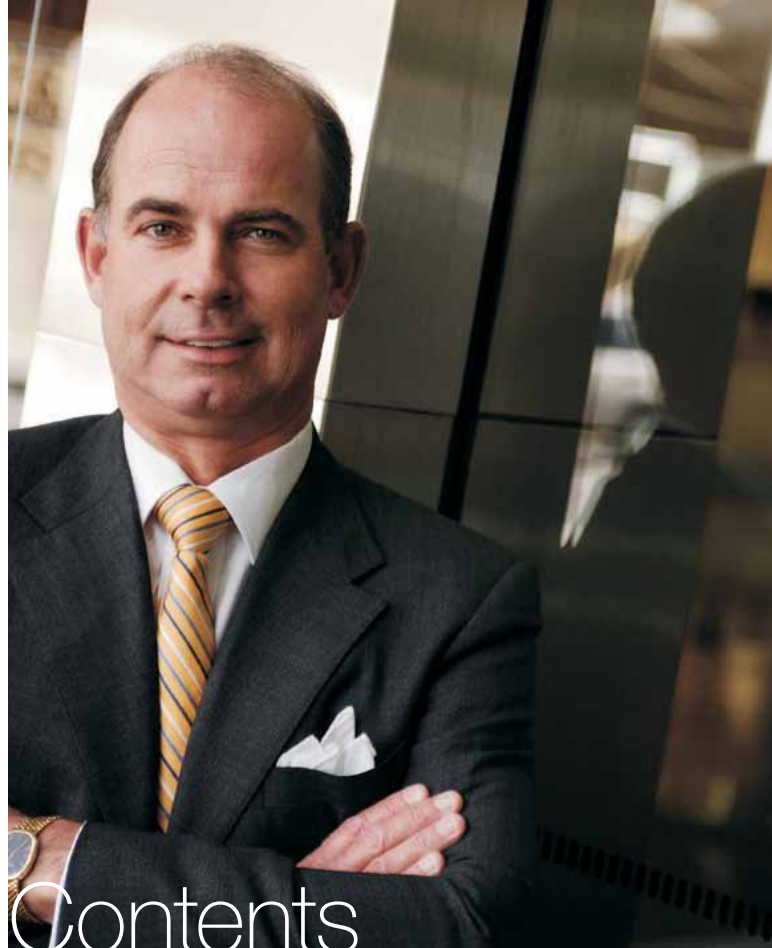
Peering further into the future is difficult but one thing is for certain – Australia is destined for huge demographic changes over the coming decades. The federal government recently released its Intergenerational Report and one of its key findings is that the ratio of working people to those over 65 in Australia will fall from 5 to 2.7 by 2050.

Fewer Australians working (and paying tax) and more claiming benefits will put enormous strain on government finances. The end result is that we're all going to need to be more financially self-sufficient in the future.

Your super is the foundation of your self-sufficiency. Which is why we work so hard to ensure that MAP Super provides the features and benefits you need. It's also why we strive to provide you with the personal service you deserve. If you have any questions or would like help with your super, please call our customer service team.



Christopher F Kelaher
Managing Director
IOOF Holdings Limited



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Stay in touch

It's really important to stay in touch with your super. Start with our website and give us a call if you have any specific questions or there is anything you don't understand. Our customer service team are friendly, responsive and ready to help.

Web

www.mapsuper.com.au

Email

info@awmlimited.com.au

Phone

1800 009 921

Fax

03 6215 5933

Post

Medical & Associated Professions
Superannuation Fund
GPO Box 529
Hobart TAS 7001

AMA-WA

08 9273 3086

Are you on track to reach your goals?

Determining whether you're on track for a comfortable retirement isn't easy – there are a multitude of factors to consider. To make life a little easier, we have a new calculator on our website. Called the retirement gap calculator, it allows you to plug in all your details and then tells you whether you're likely to have sufficient savings to fund your desired retirement income.

The calculator makes use of a number of assumptions, which are fully documented. Better yet, it allows you to change some of the variables you've entered so that you can compare the results side-by-side. For example, you can add salary sacrifice contributions to see the impact they will have on your super balance. Or you can find out how much more you'll need to save if you want to retire five years earlier.

Using the calculator is easy – simply go to the calculators section of our website and follow the directions. If you need further guidance on how to meet your retirement goals, please call AMA-WA on 9273 3086.

New 'transfer of cover' facility

If you hold insurance cover in another superannuation fund or directly with a life insurer in your own name, you can now apply to transfer that cover to your MAP Super account. By transferring your cover, any loadings, exclusions or special conditions are carried over to your new policy.

For more information on how to go about transferring cover and the conditions that apply, please call our customer service team or AMA-WA on 9273 3086.

Stay the course

The recent financial crisis has provided a very real example of the importance of staying invested, as illustrated by a case study from Vanguard.

Consider two investors who placed \$10,000 in an Australian shares index fund on 1 July 1970. At the market peak (1 November 2007) both investments had grown to \$728,021*. The financial crisis hit these portfolios hard however, and by the end of January 2009, they were valued at \$389,034. At this point, one investor had had enough and sold down to cash.

By doing so, this investor avoided further losses of \$35,000 as the market continued to slide in February and March. However, the comfort of being in cash proved to be short-lived. Assuming the investor stayed in cash until 30 September before buying back into the market, they would be \$161,000 poorer than their alter ego who stayed invested throughout.

This is because markets can swing rapidly and stage substantial recoveries in relatively short periods. Picking these peaks and troughs accurately is virtually impossible. In fact, human nature dictates that most people tend to hold on to their investments and sell far too late, then stay in cash too long and buy well after the recovery has taken hold.

Rather than attempt to time the market, your interests are better served ensuring that your investments are properly diversified using a robust asset allocation suited to your personal circumstances. Call AMA-WA on 9273 3086 about how a properly constructed investment strategy can help you ride out the ups and downs with confidence.



* Before fees and taxes. Growth calculations by Andex.

Mind the cap

Don't forget that the Government halved the concessional contribution cap that applies this financial year. The concessional contribution cap is now:

- \$25,000 if you're aged under 50
- \$50,000 if you're 50 or over.

The concessional cap is the amount that you can contribute to your super which will receive concessional tax treatment (15%). You can contribute more than this to your super account but additional contributions are taxed an additional 31.5% and the contribution is included in your non-concessional cap.

It's important to monitor your contributions to ensure that they are appropriate to your personal circumstances. Remember that the 9% of your salary that your employer contributes on your behalf and your salary sacrifice contributions both count towards your concessional limit. It's also important to remember that the limit applies to you as an individual – you don't have a separate limit for each super account you hold.

It pays to plan ahead

The reduced concessional cap makes it even more important to plan ahead. You should look to invest smaller amounts earlier and more regularly since you're no longer able to pump significant sums into your super just before you retire.

If you need further guidance regarding your contributions to super and the effect of the lower concessional cap, please call AMA-WA on 9273 3086.

Slicing through the jargon

Financial services literature is littered with terms that are not always easily understood by the average investor. We thought we'd do our bit by regularly explaining some of them in Investor News.

Management Expense Ratio (MER)

Through your super account, you can choose to invest in managed investments (as opposed to direct shares). Each managed investment will have an MER, which represents the fee charged by the fund manager for managing your money as a proportion of the net asset value of the investment. It doesn't include the administration fee that your super fund charges for administering your account.

Basis points

A basis point is one-hundredth of a percent. So, if you read that interest rates have risen by 25 basis points, it means that they have gone up 0.25%

Risk profile

Your risk profile is a measure of your appetite for risk and is used to provide a guide to investments that may be suitable for you. If you have a defensive risk profile, it means that you are less comfortable with short-term fluctuations in the value of your investments and therefore should lean towards defensive assets like cash and fixed interest. If you have an aggressive risk profile, it means that you're prepared to accept short-term volatility in the search for higher long-term returns and should probably invest in growth assets such as shares and listed property.

Although we do our best to always write to you in plain language, if you ever come across something you don't understand, please call our customer service team and ask them for an explanation.



Protecting the golden egg

It's probably not how you normally think of yourself but you're like the goose that laid the golden egg. Every week, every month, you bring home a pay packet – the golden egg.

That golden egg makes your entire lifestyle possible. Without it, it's likely that you would struggle to pay for all the things you otherwise take for granted. Your house, your car, holidays, nice clothes, dining out – all of these things would be difficult without an income.

When you really think about it, your income is probably the most valuable thing you have after your life and your loved ones. Surely something that valuable is worth protecting.

Fortunately, protecting your income is relatively easy. And it doesn't have to be expensive either. Consider this case study.

Case study

Adam will be 40 years old at his next birthday and is working in a professional occupation earning \$80,000 per year. He quite wisely decides to protect his income by taking out income replacement insurance within his MAP Super account. Since he has a reasonable savings buffer that he can call on if necessary, he opts for a 90 day waiting period (rather than 30 day or 60 day). This reduces his premium to just \$59.52 per year (based on a two-year benefit period). That's not much more than a dollar a week.

\$60 per year is a small price for Adam to pay for the comfort of knowing that he will continue to receive an income for two years if he is unable to work due to illness or injury.

Adam starts to consider what would happen if he was unable to return to work for a considerable period of time. A two-year benefit period means his income replacement payments would stop after two years regardless of whether or not he was able to return to work.

Adam opts to upgrade his cover to a five-year benefit period which means that his income replacement payments would continue up to a maximum period of five years. This increases his premiums to \$90.72 per year – still very reasonable for the peace of mind that it provides.

Adam could even choose a policy with a benefit period to age 65. The premium for this level of cover would be \$236.64 per year.

Income replacement cover is a worthwhile investment in peace of mind. Call AMA-WA on 9273 3086 about the level of cover that best suits your personal circumstances and simply download and complete an Insurance Application & Personal Health Statement from our website to apply.





After the comeback – what does **2010** hold?

After a very uncertain start to the calendar year, 2009 turned out to be the year of the comeback with the Australian market rebounding nearly 54% from its low on 6 March.

Most of this rally was concentrated in just seven months with the ASX200 falling sharply in January and February, rallying strongly between March and September and then levelling off in the final quarter of the calendar year.

Overall, 2009 was the best calendar year since 1993 with the S&P/ASX200 rising 30.8% over the period.

Most global indices showed similar, if marginally less impressive, gains. The S&P500 rose 23.5% over the year and the Euro Stoxx 50 rose 21.2%.

The performance of key asset classes through 2009 is summarised below.

Equities

2009 started as 2008 had finished, with continued weakness in most markets around the world. When the US market (S&P500) reached its low in March, it struck a level not seen since 1996. From that point, however, US equities rallied strongly and the 23.5% return for the year was the best full year return since 2003.

The Australian market (S&P/ASX200) followed a similar trajectory with a weak start to the year followed by one of the strongest recoveries of any developed market. Overall, the market gained 30.8% for the year. A recovery in the value of the Australian dollar further added to the performance in common currency terms.

Bonds

Government bonds came under pressure in 2009, largely due to the volumes issued to fund stimulus measures. The Australian 10-year benchmark yield added 1.65% points and its US equivalent 1.63%. (An increase in yield means a decrease in price.)

Currency

The US dollar started 2009 with strong momentum, helped by a perceived 'safe haven' status, but peaked around the time that equities bottomed and fell for much of the rest of the year. The Aussie dollar mirrored the USD's fortunes, rallying sharply as risk appetite returned to markets. Across the year it made strong gains against the USD (+30.0%), euro (+26.9%) and yen (+33.1%). At the time of writing the Aussie dollar was buying more than 90 US cents compared to less than 65 US cents in March 2009.

Commodities

Oil recovered strongly from a low in February, helped by a weaker US dollar and the prospect of global recovery.

Base metals prices rallied sharply in 2009, with the CRB Metals index gaining 101.0% for the year.

Gold's 27.6% gain made it a laggard among major commodities in 2009, reflecting the fact that it had held up better than most as a 'safe haven' during the market turmoil of 2008 and early 2009. However, it did set new highs in US dollar and even euro terms.

“Overall, 2009 was the S&P/ASX 200's best calendar year since 1993.”

Outlook for 2010

2010 will be an interesting year as a number of economies (most notably the US and China) attempt to withdraw stimulus measures without endangering the recovery that took hold in 2009. Economic activity is likely to slow as these stimulus measures are removed but it's difficult to pinpoint when and by how much. Only time will tell if these underlying economies are able to generate a self-sustaining recovery once government support is wound back.

Outlook on Australia

The Australian economy has proven resilient, and relative to major OECD countries, it's likely that this will remain the case.

It's expected that interest rates will continue to rise in 2010 and this hold back growth to a certain extent. However, low levels of unemployment, high consumer confidence, strong growth in Australia's major export partners and a strong outlook for business investment are reasons to be cautiously optimistic on the domestic economy.

Risks for 2010

Major risks for 2010 revolve around the potential for a faltering global economy as stimulus is withdrawn and that industrial activity will taper off once inventories have been re-stocked to more normal levels (after having been run down to very low levels during the recent economic crisis). There is also some reason to be sceptical regarding earnings forecasts which have been fairly optimistic. If the growth in corporate earnings over the year falls short of market expectations, share prices could suffer. On a more positive note, there are signs that the rise in official interest rates this year may not prove to be as substantial as previously thought.

Summary

While it would be wise to be cautious on the outlook for the global economy, there are a number of positives going forward. The worst of the recent financial crisis has passed and the key economies of China and the US are now looking to build on the recovery which started in 2009. Emerging markets can be expected to display relatively strong growth in the longer term as they are not held back by high debt levels like many developed economies. Australia looks particularly well-placed with low levels of unemployment, high consumer confidence and strong growth in our major export partners.

Making MAP Super even better

We've made a raft of enhancements to MAP Super recently. These changes fall broadly into two categories – product enhancements and insurance enhancements.

Product enhancements

Change of trust deed and Trustee

As outlined in communications sent to you late last year, MAP Super has been transferred to the IOOF Portfolio Service Superannuation Fund (ABN 70 815 369 818). This means that IOOF Investment Management Limited (ABN 53 006 695 021 AFSL 230524) is now the Trustee for MAP Super.

Increase in the maximum investment for listed, unlisted and interest rate securities

You can now hold a combined total of 80% of your account in listed, unlisted and interest rate securities. This can be varied by calling AMA-WA on 9273 3086.

Reduction in the minimum transaction for listed securities

The minimum transaction amount for share trades has been reduced to \$3,000. This makes it easier for you to buy and sell shares through your super.

Insurance enhancements

We have negotiated a range of enhancements to the terms and conditions of your insurance on your behalf.

General

New limited events cover

Limited events cover, as the name suggests, provides limited cover in circumstances when you're not 'At Work' on the day that you first become eligible for cover. This means that you will be covered for claims arising from an illness or injury that occurs after your cover commencement.

Cover while on extended leave

You no longer have to write to TOWER for continuation of cover while on parental leave and leave without pay, provided premiums continue to be paid. This minimises the paperwork you need to complete and makes it easier to continue to be covered even if you're on leave for an extended period. However, you will need to seek prior written consent for income replacement cover to continue for leave without pay after 12 months.

Cover while travelling overseas

You no longer need prior written consent from our insurer for cover while travelling overseas. You will automatically be covered for up to three years provided you are not travelling to a country that has had a Department of Foreign Affairs and Trade 'Do not Travel' advice in the 30 days prior to travel.

Death cover

Unlimited cover now available

The \$5 million cap for death cover has now been removed.

TPD cover

Maximum cover increased

The maximum total & permanent disablement (TPD) cover available within MAP Super has been increased from \$2.5 million to \$3 million.

Cover for short-term unemployed

Members who are unemployed for less than 6 months can now be assessed for TPD cover under the 'any occupation' definition. This means that, should you suffer from illness or injury soon after leaving your job, you will still be covered.

Income Replacement cover

Maximum benefit increased

The maximum monthly benefit for income replacement has been increased from \$20,000 to \$25,000.

Cover for part-time employees

Members who are working 15 hours or more per week can now apply for income replacement cover.

For more information on the above changes, please call AMA-WA on 9273 3086.



Wiring your brain for wealth

Neuroscience seems an unlikely subject to provide new insights into investing. But research into the circuitry of the brain is uncovering fascinating clues as to why we behave the way we do. Understanding this might help us become better investors.

For most of our time as a species, humans were hunter-gatherers, living in nomadic tribes and focused on finding food, mates and shelter. Our brains developed to solve the day-to-day problems of those primitive times. We were good at recognising short-term trends and responding rapidly to threats or opportunities. We weren't so good at distinguishing long-term patterns or focusing on many things at once. However, these are just the skills a good investor needs.

The key to successful investing is to develop the habits that neutralise your brain's weaknesses while making the most of the brain's strengths. Researchers suggest the following strategies.

Strap yourself in

The amygdala is the part of your brain responsible for processing emotions. It initiates feelings of fear so avoid behaviour that is likely to stimulate a panic response. Try not look at daily prices. And consider dollar cost averaging which sets a consistent pattern for your contributions regardless of what markets are doing.

Stay in balance

The prefrontal cortex in the brain is wired to predict from past patterns where we are predisposed to take risks for a big reward. Experience shows that you should try and set limits on any big bets.

Double your research on winners

If an asset performs spectacularly well, your brain will believe nothing can go wrong. That's the time to speak to your financial adviser to ensure you're not over-weight in that asset class.

Use different wallets

Our brains push us to predict winners. If you take a higher than normal amount of risk, you should only do it with what you can afford to lose.

Look at the long run

The accumbens in our brain identifies trends in anything that repeats a couple of times, so it's important to have a long-term outlook when selecting an investment.

Flex your cortex

The prefrontal cortex also evaluates the consequences of actions. It deteriorates as you get older so it's important to get the advice of an expert on important issues.

Diversify

The single most powerful technique to avoid our brains working against us is by spreading our investments over many sectors and asset classes. This avoids the temptation to see a short-term trend as a sure thing. By keeping your money in a broad basket of investments you also avoid sending the amygdala (the panic button) into overdrive.

There might be nothing new in these findings, but it appears that the latest scientific research validates the old truths of investing.



Less talk, more action

The start of a New Year is a great time to get your finances in shape. So what's stopping you? We've broken it down into four simple steps.

Consolidate

Your number one New Year's resolution should be to track down all your super accounts and consolidate them into a single account. It may take a little time but it's worth the effort. Don't lose sight of the fact that this is YOUR money – treat it that way. Don't let it wither away to nothing.

In the education section of our website, you'll find a flyer on consolidating your super which will provide you with more information on why it's important to consolidate, and how to go about it. In the forms section of the site, you'll find our Whole Balance Transfer Authority form – you'll need to complete one of these for each super account you want to transfer to MAP Super.

If you need any help with completing the paperwork, please call our customer service team.

***“this is YOUR money
– treat it that way.”***

“starting small and early soon adds up.”

Locate lost super

It's possible that you have super accounts that you don't even know about. In fact, it's more than possible – it's likely. There is roughly one lost super account for every two working Australians. And later this year, the Government will require some of these lost super accounts to be transferred to the ATO. Fortunately, there's still time to use the ATO's SuperSeeker service to track down any lost super accounts that belong to you.

Simply log on to www.ato.gov.au/super and click on SuperSeeker. By providing some of your personal details, such as your date of birth and your tax file number, SuperSeeker will search the Lost Members Register for possible matches. If you don't have internet access, you can contact the ATO on 13 10 20.

Insure your income

If you couldn't work due to serious illness or injury, who would pay your bills? How long would your savings last and what would you do after that? Income replacement insurance provides 75% of your monthly income (up to \$25,000) while you're unable to work. It means that your day-to-day living expenses are taken care of while you're taking care of yourself.

The right insurance cover protects the financial wellbeing of you and your family during the times that you need help the most. It should definitely be high on your list of priorities when you're getting your finances in order. Call AMA-WA on 9273 3086 or download our Insurance Application & Personal Health Statement from the forms section of our website.

Small sacrifice now; big benefits later

Salary sacrificing small amounts to super is one of the best ways to save for your future. It's tax-effective, which means that not all of the money you're saving comes from your hip pocket – some comes from the tax you would otherwise pay.

And it really is only a small sacrifice – particularly if you start early. Sacrificing as little as 3% of your salary can make a big difference over the average working lifetime. So get started now – you'll be surprised how little it affects your take-home pay. Speak to your HR or payroll department for the right form.

Don't let excuses get in the way

There's too much paperwork

Unfortunately paperwork is a fact of life when it comes to your finances. But, to be honest, the paperwork isn't that tedious – and it's the key to cold, hard cash so it's definitely worth the effort.

I can't afford to sacrifice any of my salary

Start small. Starting small and early soon adds up. Plus, by salary sacrificing, not all of the money you're saving is coming from your hip pocket – a lot of it is coming out of the tax you would otherwise pay. So it's the perfect way to get your savings started.

I've left it too late

There's an old saying – better late than never. Even if you're only a year or two away from retirement, there are things that you can do to boost your retirement income. If you're more than a year away from retirement, you have more time but the sooner you start, the better.

Don't let inertia (otherwise known as 'laziness') stop you from enjoying the financial future you deserve. Get started with these four simple strategies. Then, if you're feeling a little more adventurous, call AMA-WA on 9273 3086 about additional strategies that can really get your finances in shape.

Contact details

8:00 am–6:00 pm (EST)

Customer service telephone	1800 009 921
Facsimile	03 6215 5933
Email	info@awmlimited.com.au
Website address	www.mapsuper.com.au
Postal address	Medical & Associated Professions Superannuation Fund GPO Box 529 Hobart TAS 7001

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