Medical & Associated Professions Superannuation Fund
Providing simple solutions to superannuation

investor news

Newsletter for MAP Super Fund members

summer 2009

A sunnier outlook?

What's in store for 2009

Welcome letter

Welcome to the summer edition of Investor News. Like you, I'm hoping that the start of a new year will mark the end of what has been a trying time for investment markets and will signal a return to more stable returns from the assets that we all invest in.

This issue of Investor News accompanies your half-yearly benefit statement and, for many of you, your report will bring disappointing news. The upheaval in markets around the world has weighed heavily on investments of all kinds, and that includes super.

Having said that, I urge you not to despair when looking at your super balance. Superannuation is still the most effective way to save for your retirement and I strongly believe that it's only a matter of time before markets recover and resume their steady upward trend. Naturally the timing of the recovery is uncertain but the rapid response by central banks and the unprecedented intervention by Governments around the world gives hope that the conditions are right for the recovery to begin sooner rather than later.

On a brighter note, we continue to do our best to build a structure that is well-suited to meet the needs of our members. We recently changed the Trustee on a number of products (including Medical & Associated Professions Superannuation Fund (MAP)) to reduce overlap and inefficiency. And an exciting new chapter is about to begin with the proposed merger of Australian Wealth Management Ltd (the parent company of the Trustee for MAP) with IOOF later this year.

The merger will create an organisation that has the scale to compete in an increasingly competitive market and will allow us to bring our members a range of best-of-breed product solutions.

I'd like to personally thank you for your support during what have been challenging times. If there is anything that we can do to help you ensure that your super is working effectively for you, please call MAP Customer Service on 1800 009 921.

Best wishes for 2009.

Christopher F Kelaher
Managing Director
Australian Wealth Management Limited

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Trustee change

As part of a project to simplify our business structure, we recently changed the Trustee for your MAP account. The new Trustee is Questor Financial Services Ltd (Questor) ABN 33 078 662 718 AFSL No 240829 RSE Licence No L0001489.

Questor is part of Australian Wealth Management and is already Trustee for a number of other products within the group.

The change of Trustee won't make any difference to the way that your account works. All of our contact details remain the same and the same people will be managing your money. Despite all that, it's important that you know who the Trustee is because they perform a vital role. The Trustee is responsible for ensuring that your super fund is run properly and that all decisions made are in the interests of members like you.

If you'd like any further information on this change of Trustee, you can call MAP Customer Service on 1800 009 921.

Track down your lost super

If you've lost track of where your old super accounts are, the ATO can help you find them. You have a number of options:

- You can go to the ATO website (www.ato.gov.au/super) and use their SuperSeeker tool.
- If online isn't your thing, you can use their automated phone service by calling 13 28 65.
- Or, if you'd rather speak to somebody, you can ask them to send you a 'searching for lost super' form by calling 1300 720 092.

Whichever way you go about it, you'll need to supply your name, date of birth and tax file number. In return, the ATO will supply you with the fund name and contact telephone number of any lost super that may belong to you. By contacting the fund holding your lost super, you can request to roll this lost super into your MAP account and get your super savings back on track.

Operation: Consolidation

It makes sense to have all of your super in one place so that you can monitor it and control it. While that may sound obvious, unfortunately it's not common.

You'd be amazed at how many people have their super spread across three or four accounts with different providers.

Some people don't even know where some of their super is. A few job changes, a few address changes and they've completely lost track of it.

Which really is a shame because it means that they're probably paying more in fees than they need to. It also means that they have no control over where their super is invested – once you're 'lost', your super can be transferred into an 'Eligible Rollover Fund' without your knowledge.

Don't fall into the same trap. Take the opportunity to take control of your super by consolidating it into your MAP account. It's really easy – call MAP Customer Service on 1800 009 921 for help. They'll send you a 'Whole Balance Transfer Authority' form for you to complete and they'll guide you through the process. Or you can simply download the form from www.mapsuper.com.au

If you don't know where your super is, you may need to do a little bit of detective work but it's still not that hard and there are resources to help you. The ATO's SuperSeeker tool can be particularly useful (see previous article).

Is cash really king?

If you're considering switching your super into cash, you're not alone. The recent upheaval in investment markets encouraged many investors to consider the relative certainty of cash and the introduction of the Government's guarantee of Approved Deposit-taking Institutions last year only accelerated that trend.

But, when making your decision, don't underestimate how significant a move to cash is – it could have a substantial impact on your future financial well-being.

While cash is less volatile than shares and property, this stability comes at a cost – lower long-term returns. Given that your super is a long-term investment, long-term returns are likely to be more important to you than short-term stability. Remember, as interest rates fall (as is currently the case) so does the rate of return on your cash investment.

Most experts expect markets to recover from their recent falls. This recovery will generate significant positive returns. If you're invested in cash, you're going to miss out on the benefits of this recovery.

In short, there will always be a place for cash in your super account. But the amount of your super invested in cash should be determined according to an asset allocation that fits your personal circumstances and financial goals. Don't fall into the trap of making important asset allocation decisions based on 'gut feel'; speak to your financial adviser.

Location, location, location

Everybody knows that insurance is important but should you move it inside your super or leave it where it is? There are real benefits to holding your insurance inside your super account. Of course, that doesn't mean that it's the best strategy for everyone but it's certainly worth considering.

Holding your death, death and total and permanent disablement or income replacement insurance within super can be tax-effective because you can pay premiums from pre-tax super contributions instead of using your take-home pay, which has been taxed at your marginal rate.

Whichever way you go – inside or outside super – it's vital that you have the right insurance in place and that it's kept up-to-date with your changing circumstances.

Think of it as an investment in peace of mind. The right insurance means that you can go about your day knowing that the financial security of you and your family is taken care of.

Getting online is easy

- Go to www.mapsuper.com.au
- Go to ‘Member online access’ on the left of the screen
- Click on ‘Register for your password here’

Once you’ve agreed to the terms and conditions and completed your details, you’re done. A password will be mailed to you within five working days.

When you have your password, you simply enter it into the online access page to login to your account. You’ll be able to review your current investment balance, performance and unit price information and details of any recent transactions.

Don’t forget to check back on a regular basis – we’ll be rolling out a range of new online features over the course of the year.

How much super is enough?

The unfortunate truth is that many people don’t have enough super to fund the retirement lifestyle they’ve been dreaming of. But the good news is that it’s never too late to do something about it.

If you’re still many years away from retirement, you should seriously consider contributing a little bit more to your super on a regular basis. Salary sacrificing as little as an extra 3% can make a big difference in the long term.

If you’re getting closer to retirement, strategies like transition to retirement (TTR) can give your super the boost it needs in the lead-up to when you’ll really need it. While it’s a little bit more complicated, it’s worth seriously considering for the benefits it can bring – check out our case study on page 7 for more details.

The perfect storm

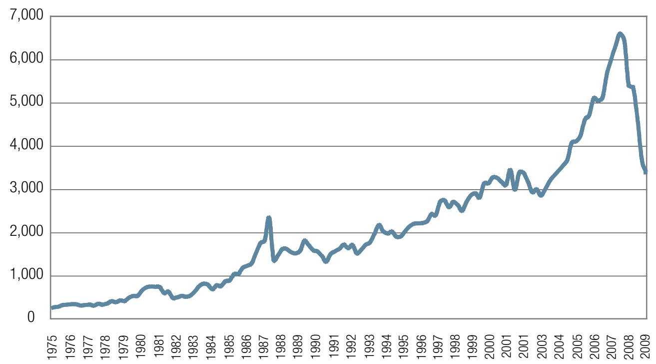
There's no doubt that 2008 was one of the toughest years on record for investment markets. There were very few highlights – every asset class felt the effects of an avalanche of bad news from around the world.

The sub-prime mortgage mess brought about a massive credit crunch which in turn led to the collapse of some of the biggest and most trusted financial institutions in the world. The end result was that most major economies began to falter. This combination of negative forces resulted in falling prices for just about everything – Australian shares, international shares, commodities, real property, listed property – even interest rates fell. Many of these falls were much quicker and much larger than anybody predicted and the results are clearly visible in super account balances across the country.

If you're looking at the balance of your super account and are a bit disappointed with what you see, you're not alone. Nobody has been spared. The effects have been felt by sophisticated and non-sophisticated investors alike; by investors from big and small super funds and those invested in both growth and defensive assets.

So, where to from here?

Like many people, you're probably wondering what you can do in the coming months to get your super back on track. There are many different ways you can react to recent market events so it's vital that you understand what has happened and what you're trying to achieve.



All ords index

Before you act, put yourself in the know

Know the past

This isn't the first time markets have fallen and it won't be the last. Markets have always recovered in the past and there are good reasons to believe that they will recover from this recent setback as well. What's more, many previous market falls have been followed by recoveries that were quite rapid and quite robust.

"the simultaneous occurrence of events which, taken individually, would be far less powerful than the storm resulting from their combination"

Examples of rapid recoveries

All Ords peak	All Ords trough	Percentage fall	Subsequent 12-month performance
January 1973	September 1974	-59.2%	+50.9%
February 1980	March 1980	-20.3%	+39.0%
November 1980	July 1982	-40.6%	+38.7%
August 1989	January 1991	-32.4%	+38.9%
June 2001	March 2003	-22.0%	+27.3%

Know the future

While nobody can truly know the future, there are plenty of people that can provide you with well-researched opinions on what to expect. You can start by reading our research department's feature article on page 5 which provides a useful summary of the themes that are likely to drive investment markets and therefore super returns over the coming 12 months.

Know your circumstances

Without a doubt the most important input into any decision over what to do with your super is a thorough understanding of your personal financial circumstances and goals. Start with a budget, look at how much you've already saved, consider how much super you need and when you'll need it.

Know your options

Selling investments that have performed poorly isn't your only option. Sometimes it can be the worst option because it locks in losses on assets that might recover when the market picks up. It may sound counter-intuitive but sometimes buying more of those investments can be a very effective strategy. Have a look at our article on dollar cost averaging (page 6) for a more detailed explanation of how investing more during lean times can really set you up for when markets turn around.

Get the right advice

Dollar cost averaging isn't the only strategy you can use. For some people, depending on age and circumstances, a transition to retirement (TTR) strategy may be the way to go (see page 7). The point is that there are many strategies available to you and you may not be familiar with all of them. That's why it's important to get the right advice.

A good financial adviser will look at your circumstances and recommend strategies that will work for you. They can help you see past the recent market turmoil so that you're able to make sensible decisions for your future.

The recent market turmoil took most of us by surprise. The scale of the downturn was far beyond most expectations so it's natural to feel a little unsettled when you see the effect on your super account balance. But there's no reason to despair. By taking a long-term view and putting in place sensible strategies, you can still have confidence in your financial future.

A sunnier outlook?

What's in store for 2009

The recent market volatility of the past 12 months has certainly caused many people to rethink their investment decisions. But when it comes to deciding what to do with your money, it's far more important to focus on the view ahead than to spend too much time looking back at the past.

The outlook for 2009 is uncertain and there are certainly still reasons to be cautious in the year ahead. It's likely that markets will continue to be volatile while some of the global imbalances work their way out of the system. A key theme for 2009 will be deleveraging.

Deleveraging

Deleveraging is effectively reducing debt. In the last couple of years, the global economy has been driven by cheap and easy debt handed out by global financial institutions with careless lending practices (as seen by the sub-prime crisis). The result has been too much debt, not just at the corporate level but at the household level as well. Now that credit is more difficult to come by, corporations and households are being forced to focus on reducing debt. This will weigh heavily on economies during 2009.

Although we must add that not all debt and debtors are bad. The lenders, in their attempt to force overleveraged consumers and businesses to pay down debt, have become averse to lending to even the higher quality consumers and businesses. Credit markets need to be stabilised so that higher quality borrowers can be funded.

Positive measures

In response to uncertainty, Governments and central banks have and will continue to announce initiatives to free up credit markets and stimulate economies. Interest rates will be further reduced to act as a stimulus to spending and improve credit markets.

These policy changes are much needed and will create greater stability in the short term.

Australia relatively well placed

On the domestic front, Australia is in a relatively sound position. For some time, we have had higher interest rates than many other countries. This is now seen as a positive as it allows for further interest rate cuts and the Reserve Bank is now aggressively cutting rates in order to stimulate the economy.

In addition, Australia doesn't have the same levels of bad loans or housing oversupply as seen in the US which should help us avoid some of the worst effects of the credit crunch.

Having said that, Australia is not immune from global developments. Corporate earnings are under pressure (as is the case globally) and unemployment is rising.

The outlook is for a low growth environment going forward. There are reasons to remain cautious on the outlook for all markets as they are displaying considerable volatility. The issues faced by markets are significant and may take substantial time to resolve.

Remember the basics

It's important to remember that share markets are volatile. If you choose to invest your super in shares (or managed funds that invest in shares), you need to make sure that you're thinking about the long term rather than the short term and you need to be comfortable with the higher volatility expected from this sort of investment.

If you want to take another look at where your super is invested, you should speak to your financial adviser before making any decisions. Your financial adviser will work with you to determine your risk profile (the level of volatility you're comfortable with) and your investment goals and timeframe, and then determine which investments are appropriate for your situation.

The benefits of dollar cost averaging

Most people will tell you that the best time to invest is when the market has bottomed out. 'Buy low, sell high' is a cliché that is often used. But how do you know when the market has reached its lowest point? The short answer is that you don't. But if you can't know when the market has reached bottom, how will you ever know when it's a good time to invest?

Dollar cost averaging

The good news is that there is a very simple technique to avoid that difficult timing decision altogether – it's called 'dollar cost averaging'. Dollar cost averaging refers to a systematic process of investing the same amount into the same assets on a frequent and regular basis. By doing this, you automatically smooth out some of the fluctuations in price.

How does it work?

Dollar cost averaging works because you're automatically buying more units when prices are low, and fewer units when prices are higher.

It helps to use an example. If you invest $5,000 every month and the unit price of the fund you're investing in goes from $1.60 to $1.00 to $2.00 over the course of three months, your investment would look something like this:

	Investment	Unit price	Units purchased
Month 1	$5,000	$1.60	3,125
Month 2	$5,000	$1.00	5,000
Month 3	$5,000	$2.00	2,500
Total	$15,000		10,625

You now own 10,625 units and you paid a total of $15,000 for them so the average cost of each unit was $1.41. Obviously this example has been extremely simplified but even so, you can see that $1.41 per unit is a reasonable result given that at one point, you paid as much as $2.00 per unit.

Now, you might be tempted to say that you would have been better off to buy all your units when they were $1.00. The problem is that you have no way of knowing when a unit has reached its lowest price. It's entirely possible that you may have seen the price drop from $1.60 to $1.00 and thought that it may have further to fall. By waiting a little longer, you could quite easily find that you've waited too long and the price is now $2.00.

Plus, in the real world, unit prices move on a minute-by-minute basis. Very few of us have either the time or expertise to keep track of these price fluctuations, nor are we able to move quickly enough to capture these price movements.

How can you make dollar cost averaging work for you?

The good news is that dollar cost averaging is so simple that you're already doing it. Your regular super contributions are a great example of dollar cost averaging because the same amount of money is invested at regular intervals into the same assets.

The best way to make dollar cost averaging work for you is to increase your contributions to super. Talk to your employer about salary sacrificing which has the added benefit of reducing the amount of tax you pay.

The benefits of BPAY®

Salary sacrificing isn't the only way to contribute to your super – you can make lump sum contributions at any time. Lump sum contributions can be particularly effective if you're eligible to claim the Government's Super Co-contribution.

The easiest way to make a contribution to your super is to use BPAY®. The BPAY® biller code for MAP is 364430. To get your BPAY® reference number, you'll need to login to your account (see page 3 for details on how to register for online access). You'll find your personal BPAY® reference number in a table on the personal information page that comes up when you log in.

If you have any problems with BPAY® or would like help making a contribution to your super, call MAP Customer Service on 1800 009 921.

Less money for the ATO, more money for you: Case study

The benefits of a transition to retirement (TTR) strategy aren't restricted to people ready to retire. Mike* is an investor in MAP Super. Although he's only 56, Mike already has a TTR strategy in place. In fact, he started it as soon as he turned 55. In the first financial year following his 55th birthday, his TTR strategy reduced his tax bill by almost $4,000 and that money went straight into his MAP Super account.

How did Mike make TTR work for him?

Mike earns $80,000 pa, of which $19,200 (including Medicare levy) normally goes to the ATO, leaving him $60,800 per year for various living expenses. Twelve months ago, Mike started salary sacrificing $20,000 per year into his super account.

Salary sacrificing a significant part of his income would have left Mike with only $48,000 after tax to live on – not nearly enough – which is where the second part of the TTR strategy comes in. By setting up a tax-effective pension account, Mike was able to withdraw $16,000 to supplement his reduced take home salary. After allowing for rebates and tax-free components, Mike's total income after tax is now $61,270 – slightly more than what it was before the TTR strategy. But the best part is that he achieved this result while contributing an additional $4,000 per year to his super.

So, $20,000 went into his super through salary sacrifice and $16,000 came out of his super through his pension account. The remainder stayed in there to increase his savings for retirement.

The key point to remember is that Mike increased his contributions to super by $4,000 and none of this money came out of his pocket – it all came courtesy of a reduced tax liability. If you like the idea of using a reduced tax liability to boost your super savings, take some time to consider a TTR strategy.

We strongly recommend that you seek financial advice before embarking on a TTR strategy. A financial adviser can show you exactly how a TTR strategy would work in your personal circumstances. If you wish to consult a financial adviser, please call MAP Customer Service on 1800 009 921 or the AMA-WA on (08) 9273 3090.

* For privacy purposes, we haven't used Mike's real name.

What is a ‘multi-manager fund’?

Spend any time reading the Product Disclosure Statement (PDS) for the MAP Super Fund and you’re likely to come across the term ‘multi-manager fund’. In fact, there’s a pretty good chance that at least some of your super is already invested in a multi-manager fund, which makes it pretty important that you understand what one is.

Like a lot of investment industry terminology, multi-manager fund refers to something that is actually a lot simpler than it sounds.

Some funds that you can invest in have only one investment manager. So, for example, if you asked us to invest some of your super money in the Platinum International Fund, the investment manager looking after your money would be Platinum Asset Management.

By contrast, multi-manager funds use a number of different investment managers to manage your money – all within the one underlying investment option. An example is the United Capital Balanced Fund which is a fairly common default fund for many MAP Super members.

Why?

The natural question is: ‘Why would you use multiple managers instead of just one?’ The simple answer is diversification. There is a school of thought that says that no single manager can outperform all other managers in all market conditions. If this is the case, then the best strategy is to spread your money among a selection of quality managers in order to reduce the risk associated with any single manager underperforming.

Managing the managers

Of course, for this strategy to work, the fund managers need to be carefully selected. This is where companies such as United Funds Management Ltd (United) come in. United is a manager of managers and is responsible for selecting a blend of investment managers with complementary styles and then using them to construct funds that achieve certain risk/return characteristics.

Single-sector vs multi-sector

Just to add another element into the mix, some multi-manager funds invest into a single sector (such as Australian shares) while other multi-manager funds invest into multiple sectors (Australian shares, international shares, fixed interest and property). Multi-sector funds are often used as the default for super funds because they can be structured to achieve certain risk/return characteristics.

For example, a balanced multi-sector fund would have a mixture of defensive assets (fixed interest and cash) and growth assets (shares and property) which are likely to provide a reasonable rate of return over the long term without exposing your super to high levels of risk. A high-growth multi-sector fund on the other hand would invest almost entirely in growth assets and have little or no exposure to defensive assets. This increases the level of risk associated with the fund but would also be expected to produce higher returns over the long term and therefore may be more suitable to certain super investors.

Hopefully all this will give you a better understanding of where your super is invested and who is managing your money. A lot more information can be found in your MAP Super PDS which provides details on all the fund managers responsible for your super investments. You can download the PDS from www.mapsuper.com.au or you can call MAP Customer Service on 1800 009 921 or the AMA-WA on (08) 9273 3090 and ask us to send you a copy.

Market overview for 2008

Australian shares

The Australian share market fell 38.9% through the year to 31 December 2008 in the wake of the continued fallout from the sub-prime market meltdown and a slowdown in domestic and global economic growth. At the sector level, the financials (-41.4%) sector was amongst the hardest hit by a decline in investor sentiment following a string of banking failures in the US and Europe while the materials (-41.3%) sector also finished lower amid falling commodity prices. Conversely, defensive sectors such as healthcare (-12.1%) and telecommunications (-17.6%) faired marginally better in the wake of an investor flight to safety.

International shares

International share markets finished down 38.7% in local currency terms and 24.9% lower in Australian dollar terms in the twelve month period to December 2008. The negative return came as the market digested the impact of a string of financial firm failures on global equity and credit markets, while investors also fretted over the futures of a number of major automakers including General Motors, Ford and Chrysler. Financial stocks and those with an excessive level of gearing were the initial casualties driving the market lower. Meanwhile, as was the case in Australia, the materials and energy sectors lost ground in the second-half of the year amid falling commodity prices that reflected further signs of slowing global growth. These challenging market conditions forced the US Federal Reserve to slash interest rates to a target range of between zero and 0.25% in the final quarter of 2008, at a time when the US economy was already in recession.

Property

Australian Listed Property Trusts fell 55.3% over the year, underperforming the broader share market amid uncertainty over debt refinancing of a number of key stocks and a mixed earnings outlook through the sector. Meanwhile, investors punished some of the higher leveraged players in the wake of growing risk aversion through the market. Global property fell 43.6% during the year to December 2008. The US market was amongst the hardest hit, reflecting rising headwinds associated with declining real estate fundamentals, high market volatility, mutual fund outflows and extremely challenging capital markets. European markets were also heavily impacted by the global financial crises, as poor liquidity in capital markets limited transactional activity (asset acquisitions and disposals) in the commercial real estate market.

Fixed interest

The domestic bond market finished higher during the year amid a flight to defensive assets while the Reserve Bank of Australia reduced the official cash rate from a high of 7.25% to 4.25% through the year amid signs of slowing domestic growth. Global bonds also finished higher after most major markets increasingly priced in a global economic slowdown, while investor demand for US Government bonds rose dramatically amid rising risk aversion. Overall, the Australian bond market gained 14.9% for the year while global bonds finished up 9.2% for the year.

Overview

Challenging market conditions through 2008 prompted a wave of unprecedented action from Federal Governments and central banks around the world in the latter part of the year, which were all designed to relieve global credit market stress and kick start economic growth. In the US, the outgoing Bush administration announced a US$17.4 billion emergency loan rescue package for the major automakers, while the incoming Obama administration signalled its intention to create up to three million US jobs over the next two years via a multifaceted economic stimulus package provisionally expected to cost between US$675 billion and US$775 billion. Meanwhile, the US Federal Reserve effectively reduced the central cash rate to zero as it looks to pre-empt the potential risk of deflation emerging in 2009. Closer to home, the Reserve Bank of Australia slashed interest rates by 2.75% to 4.25% through the December quarter alone as it looks to kick-start the domestic economy.

While the recent wave of global fiscal and monetary policy intervention is expected to provide a platform for a more stable market environment in 2009, a slowdown in domestic growth coupled with further challenges associated with the global credit markets suggests members and investors should expect some further investment market volatility in the short term.

Getting good advice

With all the upheaval in investment markets recently, it can be difficult to know what to do with your money. Many of us will simply opt out and do nothing. But doing nothing is a decision in itself – is it the right one?

The only way to have confidence in the decisions you're making is to get the right advice. Professional financial advice can help you construct a well-structured, diversified portfolio that will ride out fluctuations and achieve growth in the longer term. It can help you take advantage of opportunities as they arise in the year ahead and ultimately give you peace of mind and a strategy to achieve your financial goals.

A financial adviser will identify your personal financial circumstances and the goals you're looking to achieve. Let them provide you with the benefit of their knowledge and expertise by guiding you through this challenging period.

If you wish to consult a financial adviser, please call MAP Customer Service on 1800 009 921 or the AMA-WA on (08) 9273 3090.

Contact details

8:00 am–6:00 pm (EST)

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