



Smartsave

MEMBER BULLETIN

EDITION FIVE - AUGUST 2007

A BULLETIN UPDATE FOR SMARTSAVE MEMBERS PREPARED AND ISSUED BY GROUP INSURANCE & SUPERANNUATION CONCEPTS PTY LTD

* See Important Note below for further information



Hello and welcome to the August edition of the Smartsave Member Bulletin. Smartsave continues to go from strength to strength and at 30 June 2007, had over 19,000 members with almost \$280 million in funds under management.

The markets ended the financial year slightly weaker but overall it was another good year for superannuation funds across the board. At the time of going to print we have just witnessed a substantial correction in investment markets and it could be that the high returns that we have been enjoying for some time might become a thing of the past.

In this issue we will focus on 'account based pensions', transition to retirement pensions, death benefits paid from superannuation funds, the new tax rates and include a market report for June 2007.

Tax file numbers (TFN) and your Super Fund

Despite previous requests we still do not have tax file numbers for all Smartsave members. You need to know that your superannuation contributions could be hit with the highest rate of tax if you have not provided us with your TFN.

The Australian Taxation Office and the superannuation funds industry have spent the past year trying to secure TFN's for each of the nation's superannuation accounts to head off the prospect of members having almost half their retirement savings reduced by tax.

From 1 July 2007 pre-tax contributions to super funds may be taxed at the top marginal tax rate, plus a medicare levy, if the fund does not have a member's TFN. This effectively could triple the tax rate currently being levied on your contributions. If you are unsure if we have your TFN, please phone 1300 654 720 to confirm.

Important Note

This Bulletin has been provided by Group Insurance & Superannuation Concepts Pty Ltd (ABN 51 070 756 740 - AFS Licence No. 245521) as Promoter of the Smartsave 'Member's Choice' Superannuation Master Plan, for Smartsave members. It has not been issued or prepared by or on behalf of the Trustee or the Administrator of Smartsave. Consequently, it does not necessarily reflect the opinion of, or statements by, the Trustee or the Administrator, and neither the Trustee nor Administrator is responsible in any way for its contents. This Bulletin is given in good faith. It should not be considered to be a comprehensive statement on any matter and should not be relied on as such. This Bulletin contains general advice only and has been prepared without taking account of your personal objectives, financial situation or needs. Consequently, before deciding whether to invest in the Smartsave 'Member's Choice' Superannuation Master Plan, you should consider the appropriateness of the advice having regard to your objectives, financial situation and needs. You should also read the information contained in the Product Disclosure Statement (PDS) dated 29 June 2007 carefully, and consider, with or without the assistance of a suitably qualified adviser, what is appropriate in light of your own particular needs, objectives and financial situation. To obtain a copy of the PDS, please contact your Adviser or telephone the Administrator (Tranzact Superannuation Services Pty Ltd) on 1300 654 720.

ACCOUNT BASED PENSION

With an account based pension you actually choose the amount of pension that you want to receive. There is a minimum amount that you must take; however there is no maximum amount. The minimum amount that must be taken in any one year is determined by your age and the account balance at 1 July each year. For an account based pension that is commenced after 1 July, the minimum payment in the first year is reduced in proportion to the days between the date your pension commences and the following 1 July. The minimum payment factors begin at 4% of balance if you are under 65 and go to 14% for those aged 95 plus.

The regular pension payments continue until your account balance is exhausted. You can change your pension amount at any time (subject to the minimum amount that must be paid). The maximum amount that can be withdrawn at any one time is the total of your account balance. You can also withdraw amounts as lump sums, as long as you have already withdrawn the pro-rata minimum pension at that point in the year and the balance of the account is enough to cover the pension payments for the remainder of the year.

TRANSITION TO RETIREMENT PENSION

If you have reached your preservation age (generally age 55 if born before 1960) you may choose to commence a pension with your superannuation benefits (including your preserved amounts). One option is a transition to retirement account based pension.

What this can mean for you is that you can either reduce your working hours or continue to work and enter into a salary sacrifice arrangement with your employer, to substantially increase your superannuation contributions and supplement your remaining

income with regular payments from your transition to retirement pension. This area is complex and you should seek advice on the matter from a qualified financial adviser.

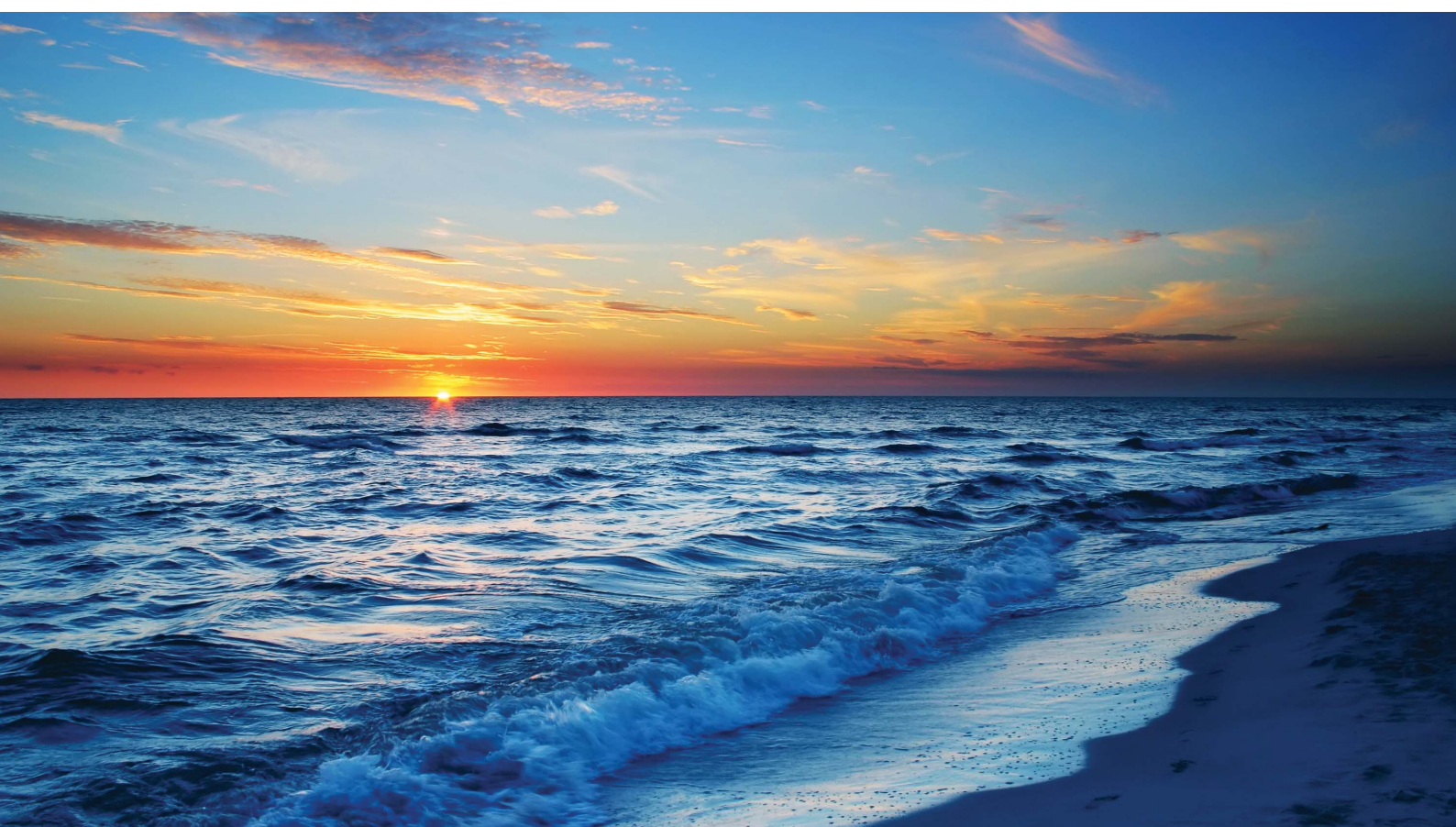
The transition to retirement pension is subject to some strict limitations. For example, you cannot make lump sum withdrawals. The minimum amount that must be paid from the pension is dependant upon your age, and the maximum amount of pension in any 12 month period is 10% of your account balance at 1 July each year.

Once you retire, or satisfy another condition of release with no cashing restriction, your pension will continue and become a standard account based pension. The additional restrictions outlined above will no longer apply.

A transition to retirement pension may be commuted:

- in order to transfer your pension account balance back into the accumulation phase of superannuation; or
- to rollover your benefit into the accumulation section of another complying superannuation fund or retirement savings account; or
- on death.

If your transition to retirement pension includes any unrestricted non-preserved component (that is, a non-preserved amount accessible by you at any time), that amount can be taken as a cash sum at any time (i.e. as a partial commutation). Amounts can also be cashed as a lump sum to pay any superannuation contributions surcharge or to give effect to a family law payment split.



DEATH BENEFITS PAID FROM SUPERANNUATION

On 1 July 2007, reasonable benefit limits (RBL's) were abolished. This means that the entire death benefit amount that is paid to a taxation dependant will be tax free. A taxation dependant includes: the spouse or former spouse of the deceased, minor aged children (under 18), any other person who has an interdependency relationship with the deceased, or any other person who was financially dependant on the deceased just before he or she died. Please note that children aged 18 and over are not tax dependants unless they can prove financial dependency or interdependency.

From 1 July 2007, non tax dependants will not be taxed on the tax free component of the death benefit paid from the superannuation fund. The taxable component is, however broken down into two components being the taxed element in the fund which is taxed at 15% when paid to a non tax dependant and the untaxed element which is taxed at 30% when paid to a non tax dependant. You should be aware that the future service element of an insurance benefit will be classified as an untaxed element.

The issue of death benefit payments to non tax dependents is complex and if this affects you, you should seek advice from a qualified financial adviser.

PERSONAL INCOME TAX THRESHOLD INCREASES

The latest changes to the personal income tax thresholds, will boost disposable income for most Australian taxpayers. The new rates came into effect on 1 July 2007.

New tax thresholds (2007/08)	Tax rate
\$0 - \$6,000	0%
\$6,001 - \$30,000	15%
\$30,001 - \$75,000	30%
\$75,001 - \$150,000	40%
\$150,001 +	45%

New tax thresholds (2008/09)	Tax rate
\$0 - \$6,000	0%
\$6,001 - \$30,000	15%
\$30,001 - \$80,000	30%
\$80,001 - \$180,000	40%
\$180,001 +	45%



HAVE YOUR SAY

If there are any issues that you would like further information on or topics you think we should cover in future editions of this bulletin, please write to the Editor at:-

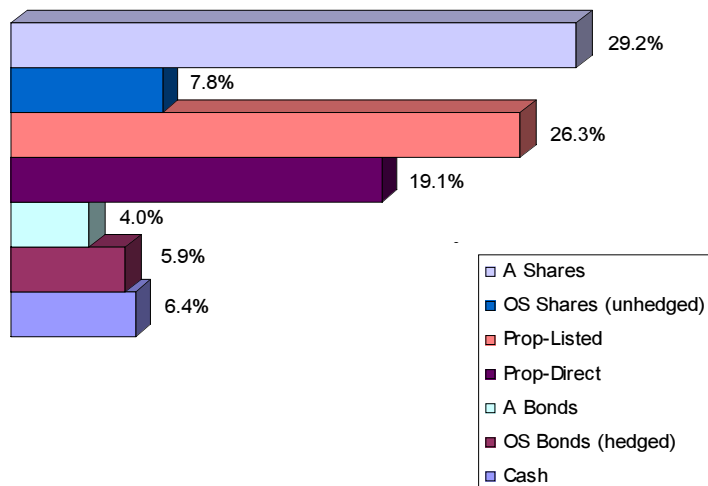
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Annual Market Review

JUNE 2007

Investment Markets for the 12 months ended June 2007



The twelve months to 30 June 2007 continued the strong trends of recent years, producing high returns across the growth asset classes (shares and property) for the fourth consecutive year, although the strength of the Australian dollar reduced returns from international shares in Australian dollar terms. Global economic growth continued to drive markets. However towards the end of the financial year some concerns were being expressed in relation to the possible flow on negative effects from problems in the US housing sector, including deterioration in the US sub prime and corporate debt markets.

Australian shares

The Australian share market produced its fourth consecutive year of returns above 20%, rising by 29.2% for the year to June 2007. Solid profit growth in many sectors and strong demand and prices for commodities continued to drive the Australian share market. Small companies performed very strongly as a group over the year, returning 44.4% against the top 100 companies' return of 27.4%. However the small resources index (+63.9%) significantly outperformed the small industrials' index (+40.8%).

Various large companies were the subject of takeover bids and/or speculation, often by consortiums containing private equity groups. Examples of companies targeted for potential takeover included Qantas, Coles, Rinker, DCA Group and Oamps. This corporate activity further reinforced a strong market driven by earnings growth. Rio Tinto was also the subject of takeover speculation late in the year and although no bid emerged, its share price was supported by the expectation of stronger iron ore prices.

International Shares

As stated above, firm economic growth drove most of the major world share markets, although not all at the same rate. The MSCI World (ex-Australia) Index rose by 21.4% in local currency terms but due to the strength in the Australian dollar against all major currencies, returned only 7.8% in Australian dollar terms. The Australian dollar rose by 14.2% against the US dollar, by 23.4% against the Yen and by 8.1% against the Euro.

In contrast to the previous financial year, the Japanese market was slightly weaker than other major markets due to a combination of the expectation of slowing economic growth together with the very strong market of the previous year when it recorded more than 35%. Merger and acquisition activity also reinforced many global markets during the year as cheap and readily available debt supported prices.

Property

The listed property trust sector had another strong year (+26.3%), being its strongest return for 10 years. However the sector finished the year on a weaker note affected by rising bond yields, substantially increased levels of capital raisings and a generally softer tone in the broader share markets. Returns from this sector going forward are likely to be much more subdued than in recent years.

Fixed Interest

Due to inflationary concerns, the Reserve Bank of Australia lifted rates twice during the year - by 0.25% in each of August and November 2006 to lift the official cash rate to 6.25%. There is also strong speculation of another rate rise prior to the Australian federal election later in 2007. Due to the resultant rises in bond yields (lower prices) experienced during the year, fixed interest investments underperformed cash.

In the US, the Federal Reserve left official interest rates unchanged at 5.25% for the last 9 months of the year, effectively maintaining a balance perspective on inflation and economic risks. However the US sub prime mortgage market remains a concern in relation to its effect on the credit market.

PHILIP CHOW, COUNTERPOINT

Market Indices	
Australian equities	S&P/ASX 300 Merged Accumulation Index
International equities	MSCI World ex Australia Index in \$A Net Return (Unhedged)
Listed property	S&P/ASX 300 Property Merged Accumulation Index
Australian bonds	UBSA Composite Bond Index All Maturities
International bonds	Lehman Global Aggregate Index (Hedged) in AS
Cash	UBSA Bank Bill Accumulation Index

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