

Axis

Superannuation

MAGAZINE January 2011 | Financial food for thought



Closing
the super
savings gap

Also inside:

What colour are your investment feathers

Asgard

Axis

Financial food for thought

January 2011

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2011 and beyond

Welcome to the January edition of Axis Superannuation. I hope you and your loved ones had a safe and enjoyable new year.

In this issue of Axis we look at how the global economy emerged from 2010 and the outlook for 2011 and beyond.

In 2010 we made some significant improvements to Asgard's service. At Asgard we're continuously improving the products and service you receive from us and looking for ways to save you time on administration of your investments, so you can spend more time doing the things you enjoy.

These improvements are designed to reduce your paperwork, give you greater choice and flexibility, and may reduce fees. We've also made a number of changes in order to deliver your investment and tax reports in a more prompt and accurate manner.

Our efforts were recognised with a number of awards in 2010. Asgard won the Investment Platform of the Year in the prestigious Australian Financial Review Smart Investor Awards. We were also recognised as the 'Best of the Best' for Outstanding Excellence in Customer Service at the Australian Service Excellence Awards.

In 2011, we're looking forward to introducing more improvements such as:

- Making it quicker and easier for you and your adviser to set up and manage your insurance needs.
- Giving you more options for investing in equities and making administration easier.

My team and I are fully committed to working closely with your financial adviser to continue and to ensure you receive the highest standards of service from Asgard.

I wish you all the best in 2011.

Best regards

Craig Lawrenson
Head of Asgard



New look to Investor *Online*

If you haven't already explored the fresh new look Investor *Online*, login today and experience the improvement for yourself. The site is now easier to navigate giving you timely access to important information about your investments.

Keep up-to-date with the latest information about your investments by checking Investor *Online* regularly. Investor *Online* provides you with the timely information about your Asgard accounts including balances, investments held, transaction details, pension and insurance details, and your investment asset allocations. You can also access electronic Product Disclosure Statements, Investor Reports, Annual Reports and other important notices about your investments.

Visit Investor *Online* and you could win a \$500 Red Balloon Days voucher

Login today, or any time between now and 28 February, and you could win a \$500 Red Balloon Days voucher.¹

Simply visit www.investoronline.info and login to view your account details.

If you haven't activated your Investor *Online* account, email investoronline@asgard.com.au or call 1800 998 185 to create your investor login PIN.

Make sure you check that your contact details are correct so you always receive the latest information on your investments.

¹ NSW LTPS/10/12163, ACT 10/05515.1 for Terms & Conditions visit www.investoronline.info



Did you know...?

Contributing the equivalent of the price of a nice meal to your super fund each week could make a huge difference to the value of your investment later on. We've asked some of our Asgard Investors what they are doing with their super. Here's what they told us...

Linda, 34, Hairdresser:

Each week I try to put an extra \$30 into my super account and the same amount into my mortgage – every little bit counts and it will mean I pay off my mortgage sooner and have more to spend when I stop working.

Rick, 46, IT Consultant:

My wife is at home with our two kids, so I make a spouse contribution to top up her super because she's not working. My boss organises it as part of my pay and I get benefits at tax time too.

Simon, 43, Business Development Manager:

I sacrifice 8% of my salary into super on top of the 9% my employer puts in because I know that by putting aside more than I need I'll be able to live the way I want when I stop work.

Paul, 40, Plumber:

I pay for my personal insurance through my super fund; it doesn't directly hit my pocket at all. With kids and a mortgage, if something happens to me and I can't work I know we're protected financially.

To find out more about any of these ideas and whether they will suit you, contact our Asgard super specialists on 1800 998 185 or speak with your financial adviser.



2011 Market outlook



Felix Stephen
Manager Strategy and Research
Investment Solutions

Global investment themes

The global economy is in recovery mode with strong growth in most major economies - the result of proactive, innovative and gutsy policy initiatives that were introduced by authorities who decided to do “whatever it takes” to stop the world from going into “depression”.

Talk of a “double-dip” has finally receded with investors gradually shifting their assets from defensive (cash, government bonds, etc.) to growth assets (equities, commodities, listed property, etc.). Unemployment in developed economies will be slow to decline but continued economic growth, accommodative policies and strong corporate investment should go a long way to help solve this problem.

The key issues to be resolved in 2011 will be the appropriateness of continuing with policies that prevented a collapse of the global economy and how these policies should be wound-back to ensure a more favourable global economic and business cycle in the future.

Europe will continue to be the “problem child” of the world financial system with larger European economies having smaller problems and smaller economies having larger problems.



European issues will only be resolved through honest and open dialogue, a pragmatic approach to resolving broader European issues, a strong political leadership within Europe and an unwavering commitment towards European unity.

Emerging economies, though very attractive in the long-term, appear vulnerable in the short-term due to higher inflation and a strong bias by authorities towards administrative policy prescriptions as opposed to market based initiatives to resolve macroeconomic imbalances. Emerging markets also lack adequate liquidity, appear to fall short in terms of regulation, and are vulnerable to exaggerated price swings compared to developed markets.

2011 Financial market outlook

Equities

We anticipate the first half of 2011 to be volatile with the markets' net returns to around 5%. However, the second half of the year should be more positive with higher overall returns of around 20% being achieved over the 2011 calendar year.

Fixed interest

We anticipate the first half of 2011 to be positive for global developed and emerging market sovereign bonds and developed market and emerging market corporate credit. However, we believe developed market sovereign bonds prices will decline as markets anticipate a gradual normalisation of monetary policy in key economies. Emerging market sovereign bonds and credit markets are likely to decline less than developed market sovereign debt during this period. We anticipate aggregate fixed interest returns to be around 7% over calendar year 2011.

Currencies

We expect modest weakness in the US dollar in the very near term and for the dollar to gather strength against most major currencies as the US economy gains higher economic momentum relative to its trading partners. We expect emerging market currencies to appreciate gradually over the year. We expect the Australian dollar to be strong during early 2011 but then to weaken against the US dollar and the British pound. However, we expect the Australian dollar to strengthen against the Euro and the Japanese Yen and weaken gradually against emerging market currencies.



Commodities

Commodity markets should remain modestly strong in the early part of the year and gather upward momentum by mid-year. Supply bottlenecks, sizeable institutional investment flows into this asset class and broad investor appeal for real assets as a hedge against higher inflation, is likely to buoy the sector. We expect commodity markets to return of around 21% over calendar year 2011.

Listed Property

We anticipate domestic and global listed property markets to deliver returns slightly below equities in the short-term and then move sharply higher later in the year as investors search for yield and protection against higher inflation. Our return expectation for this asset class over 2011 is around 16%.

Potential financial market risks

Possible military activity around March/April/May 2011 in the Middle East relating to Iran's nuclear processing facility.

This could coincide with seasonal risk aversion witnessed in global financial asset markets with the approach of the Northern Hemisphere summer holidays.





















Problems in peripheral Europe in March/April 2011 as Irish and Spanish bank stress tests are conducted and Germany faces regional elections in three key states.



This could be preceded by unfriendly rhetoric by German politicians that could unnerve European markets with the impact spreading globally, similar to the April/May 2010 period.



Political grandstanding in both houses of the US Congress relating to the "debt ceiling" that will be hit by around March next year.



This could lead to some US Treasury issuances being postponed until a compromise is reached between the Republicans and Democrats on the how, and the extent to which, the debt ceiling will be increased in order to fund the US fiscal deficit. This type of heightened political wrangling could lead to rating agencies placing US debt on watch for a possible downgrade leading to further turmoil in global financial markets.

Financial asset market outlook (total returns)

Asset class	Ultra Short Term (1-6mths)	Short Term (12mths)	Medium Term (1yr-2yrs)
Global equities			
Australian equities			
Developed Govt. sovereign bonds			
Corp credit and emerging Govt. bonds			
Australian dollar			
Commodities			
Listed property			

 -16 to -25%
 -6 to -15%

 -1 to -5%
 +1 to +5%

 +6 to +15%
 +16 to +25%

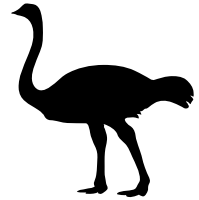


What colour are your investment feathers?

It's important to recognise the type of investor you are so you know how much risk you're willing to take on and your investment style. In his book *Where's my money? 10 sure-fire ways to keep, earn and grow more money* Jason Cunningham has developed a great way to help us understand our investment personality, based on the characteristics of birds. Take a look at Jason's list and pick which bird best represents your investment style.

Ostrich

If you're an ostrich you bury your head in the sand and don't want to know anything about money or its impact on your life.



Chicken

Chickens represent the average investor. They might be able to pay off the mortgage and their credit card, but they're not really getting ahead.



Kookaburra

The laughing kookaburra is way too busy having a great time to bother about money. Kookaburras are focused on the here and now and think worrying about money is for the birds.





Peacock



Peacocks love to show off their money. They can be reckless and

love spending money on flash cars and expensive clothes. Even though they're earning money, they're not spending it in a way that's going to generate income.

Eagle

Eagles take a long-term, big picture view of their finances. They can see into the future and understand the importance of putting a little aside now to support a more comfortable lifestyle when they stop working.



Magpie

Magpies save everything they've got just in case they need it down the track.



So which bird are you? As this shows, there are lots of different investors and there's no right or wrong investment style. But it is important to understand your own investment style and appetite for risk when planning your investment strategy because different investors need different investment strategies. It's also important to remember that this is just one way of looking at your investment style. If you want to know more about your personal investment style, talk with your financial adviser about what level of risk you are comfortable with. It is always important to consider this when reviewing your investment strategy.



Closing the super savings gap



It's not often something that immediately springs to mind when thinking about taking time out of the workforce to have kids, travel or take a sabbatical to study. But having a break from work can impact your super and widen the gap between the amount you end up with in your super account when you finish working and the amount you really need to live comfortably when you end your working life.

According to the Westpac-ASFA Retirement Standard,¹ if you're 35 and you expect to work another 30 years until you retire, to generate an annual income of \$21,000 when you finish work an additional 6% contribution to your super fund would have to be made on top of the 9% contribution your employer makes each year. To generate an income of \$30,000 in the same circumstances you would need to make an additional 10% contribution on top of the 9% super guarantee.² For most of us this realisation is a huge wake-up call. So what can you do to make your post-work life a comfortable one?



Having a break from work can impact your super and widen the gap between the amount you end up with in your super account when you finish working.

Personal contribution.

The government's co-contribution scheme is designed to increase middle-income earners' superannuation savings. Under this scheme the government will match personal contributions you make to your super fund up to a certain level and provided you meet certain income tests. In 2010/11 the government will match contributions dollar for dollar up to \$1,000 for people who earn up to \$31,920, with the maximum government contribution gradually phased out until the taxpayer earns \$61,920 each year.³

Salary sacrifice.

Making additional contributions to your super fund from pre-tax earnings has two benefits: it will increase the amount you have when you stop working and it could also reduce your taxable income and the amount of tax you pay annually.

Spouse tax offset.

The superannuation spouse contribution tax offset is a great option if one partner is working and the other is not working or earns less than \$13,800 each year. Spouses who make this contribution could qualify for an 18% income tax offset of up to \$540 annually.

To find out more about eligibility for the co-contribution scheme, salary sacrificing or the spouse rebate speak with your financial adviser.

¹ www.superguru.com.au/retirement-lifestyle/default.aspx

² Assuming the member retires on 60% of their annual income earned while working, the fund earns 7% after tax and fees and growth in average earnings of 3.75% with contributions being made by the employer and subject to 15% tax.

³ www.ato.gov.au/individuals/content.asp?doc=/content/42616.htm&page=2&H2

Q&A

Real answers to real questions.

Q: Where can I get an up-to-date balance for my super?

A: Our website is the best way to get the latest information about your account balance. Investor *Online* gives you access to information on your Asgard Accounts anywhere, any time. You can view your Account balances, investments held and transaction details, insurance details, asset allocation and even download commonly requested forms. Information is presented in an easy to read format.

Investor *Online* is fast, secure and gives you the information you need to know about your Account. Using your Account Number and Personal Identification Number (PIN), your Account information is available anywhere you have internet access.

Simply visit www.investoronline.info and login to view your account details.



Q: How can I work out what impact any additional contributions I make now, will have on my super when I retire?

A: You can visit www.asgard.com.au and use the Super Calculator, which allows you to input your own details to determine what difference additional contributions or changing your investment style could make to your lifestyle when you stop work. Your financial adviser can also provide you with advice on additional contributions.



Number crunch

A quick glance at some numbers relevant to you and your Asgard investment.

50% The percentage of people born in 1970 can expect to live to 91.⁴

\$1.23 trillion The total amount in super funds as at the end of June 2010.⁵

\$500 The super contributions tax rebate the Federal Government may pay into the super accounts of low-income earners from the 2012/2013 financial year.⁶

\$53,456 The amount a couple needs as income each year if they want a comfortable lifestyle after they stop working.⁷

14.1% The increase in total estimated superannuation assets during the 12 months to June 2010.⁸

50%
\$1.23
trillion
\$500
\$53,456
14.1%
trillion
50%

⁴ Rice Warner Actuaries Pty Ltd.

⁵ www.apra.gov.au/Statistics/loader.cfm?csModule=security/getfile&PageID=26180

⁶ www.budget.gov.au/ This is only an announcement by the Government and is not law yet.

⁷ March quarter Westpac ASFA Retirement Standard

⁸ www.apra.gov.au/Statistics/loader.cfm?csModule=security/getfile&PageID=26180

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