

Aon Master Trust  
February 2008

# directions

## Focus on your finances

It's never too early  
or too late to start.



**AON**



You probably know that having a plan for how you spend/save/invest is the smart thing to do and that it'll make a big difference later on. But if you're always putting it off, maybe it's because you can't get focused enough to make that all-important start.

"Too young", "Too old", "Haven't got the time", "Don't know what to do". People come up with all sorts of reasons and excuses for not sorting out their finances. Age doesn't really come into it, and a hectic life or lack of financial know-how shouldn't hold you back either.

In this issue of Directions we'll help you focus with some of the 'golden rules' of managing money, as well as the benefits of getting expert financial help and how to go about it. There's some kid's stuff too – all about learning the value of money and good saving habits.

### Practical guides and tips

ASIC's consumer website has booklets you can download for free. "Your Money" will start you off on the right foot with general tips and explanations on using your money more wisely. "Getting advice" has tips on finding the right adviser and advice that works for you.

Visit [fido.gov.au](http://fido.gov.au) or call 1300 300 630.

### Some golden rules

**Keep track of what you spend** – a simple record will identify purchases you don't actually need. Change your spending habits and save instead.

**Set financial goals** – it'll give you something to aim for and check your progress against.

**Save regularly** – an automatic deposit into a savings or super account is an easy way to build your savings.

**Save early** – regular (even small) savings over 20 or 30 years can reap the biggest rewards.

**Skip the coffees and take-away lunches** – you might be surprised how much you could save in a year.

**Watch your debt** – take control: use just one or two credit cards and pay your monthly balance in full if you can.

**Make the most of your super** – it can now be one of the most tax-effective ways to save and a really smart investment for the future. See page 6 for some super strategies you may be able to use.

# Getting expert advice

The tips you get from your best mate or favourite uncle might be interesting, but there's no substitute for good, independent, professional advice.

A financial adviser will look at where you are now, where you want to be, make you aware of the opportunities you have and steer you in the right direction. It's like having your own personal trainer supporting you along the way.

The range of services that financial advisers offer means that everyone can benefit, regardless of their age or how much money they have. Whether you're saving for a first home, structuring your investments or nearing retirement, a financial adviser can help.

## *How an adviser can help you*

**Superannuation strategies** – maximise the tax benefits of your super and build your retirement capital.

**Investment advice** – tailored to suit your goals and appetite for taking risks.

**Debt management** – an important part of wealth creation.

**Retirement planning** – build your capital and maximise your social security entitlements.

**Estate planning** – protect your assets and provide for your beneficiaries.

**Taxation** – minimise your tax liability.

**Insurance** – protect your income and assets.

## *A typical adviser program*

- Collect data and clarify your current financial position.
- Consider your attitude to money and your investment style.
- Identify your needs.
- Set goals you can achieve.
- Develop a strategy that's tailored to your needs.
- Prepare your written financial plan.
- Put your plan into action.
- Review your plan once a year.

### **Need an adviser?**

If you don't have a financial adviser but would like to be put in touch with one\*, call us on 1300 880 588 or email [contactcentre@aon.com.au](mailto:contactcentre@aon.com.au)

To explore the services offered by Aon's financial adviser network\*, go to [aonmastertrust.com.au](http://aonmastertrust.com.au), log in to my ebenefits and go to "my wealth".

### **The first meeting is free.**

As you are a member of the Aon Master Trust, your first meeting with an Aon adviser is free.

\* Financial planning services are not provided by Aon Superannuation Pty Limited.

# kids stuff



“Money comes out of a hole in the wall and then you use it to buy me things.” An 8-year old.

Kids don’t pay the bills or handle the household budget so it’s not surprising that they struggle to appreciate what money is all about. Learning about saving and spending wisely can be fun (and rewarding). If a child’s old enough to want the latest gadget, they’re probably old enough to learn how to save for it.

## The value of money

- Help them price the thing they want and work out how long it will take them to save for it.
- Give them some pocket-money to practice with. They’ll soon realise how far it goes (or not).
- Let them earn a little more by doing extra jobs around the house.

## Encourage them to:

- save a little each week for the thing they want to buy
- put loose change in a big glass jar and watch it grow
- switch lights off and take shorter showers: a small reward will help.

## Being responsible

- Next time you’re at the mall, show them how shopping around can get the best price.
- Get them to list and focus on what they want most. It’s one way to control impulse buying.
- Mobile phones – agree a pre-paid amount that you’ll cover and explain they’ll have to pay for any top-ups if they go over.

# Study & save

Spending is easy but, on a student budget, you need to spend wisely. If you’re thinking “blah, blah, blah”, here are some practical tips that you can use right away.

- Get two envelopes and mark them “Essentials” and “Non-essentials”. Estimate your weekly spend and divide your money between the envelopes.
- Put money aside for big ticket items you know are coming up such as your car rego.
- Put a “pay that bill” reminder on your mobile. It’ll help you avoid expensive reconnections if you get cut off.
- Talk less and cut down your phone and mobile costs.
- Grab any concessions you can (eg no-fee bank accounts, software discounts).
- Credit cards can be dangerous. Unless you’re really, really disciplined, get rid of them.
- Buy second hand textbooks. Go online for book exchanges.
- Use both sides of your notepaper.
- Walk or use your bike – great exercise, costs nothing.
- Use the cheaper supermarkets. Go for “no name” brands.
- Accidents can be expensive. Think about getting insured.

# Hi ho, hi ho...

## it's off to work you go

Now that you're working and have money coming in, there's lots to think about and lots of opportunities to make your money work hard for you.

### *The right bank account*

If you already have a bank account, have a look at the fees and charges you pay and the interest you earn. Shop around and see if there's an account that might suit you better.

### *Saving*

It's also a good time to get focussed and start saving (if you haven't done so already). See pages 2 and 3.

### *Super*

If you're 18 or over and earn more than \$450 in a month\*, your employer must contribute into a super account for you – the equivalent of 9% of what you earn. You generally won't be able to touch your super until you retire, but it'll benefit from favourable tax rates along the way and could end up being one of your biggest assets.

- **C.Y.O.F** (choose your own fund). You may be able to choose the super fund for your employer's 9% contributions. If so, your employer must give you a 'standard choice form'. Compare the benefits and costs of different funds and find one that suits you best. If you don't want to make a choice, that's ok – your employer will pay into a fund they have chosen.

\* Visit [ato.gov.au](http://ato.gov.au) for eligibility details.

- **Up to \$1,500 from the Government.** If you earn less than \$28,980 a year, the Government will co-contribute \$1.50 for each \$1 of after-tax pay you contribute to your super, up to a maximum co-contribution of \$1,500 a year. This matching rate reduces as your pay increases – if you earn \$58,980 a year, there's no co-contribution.
- **Keeping it together.** If you work part-time or casual, ask your employers to contribute to the same fund. If you can't avoid different funds, consider rolling all your accounts into one – it could save you fees and lots of paperwork.
- **Insurance.** Being young, fit and healthy doesn't mean you're bullet-proof against accidents or illness. Most super funds provide at least some insurance cover for death, or death and disablement (and by law most will have to offer a minimum amount of death cover from July this year). Check the insurance cover your super gives you and make sure it's right for you.

### **Hop onto [fido.gov.au](http://fido.gov.au) and read ASIC's comic "To the Max".**

Find out how Josh and his friends took control of their finances and dealt with mobile phone debts, credit cards, car finance and insurance.

"To the Max" image reproduced courtesy of the Australian Securities & Investments Commission and Streetwise Communications.



# SuperWays

The Government's changes to tax and superannuation last year mean that super can now be one of the most tax-friendly ways to save.

Here are just some of the ways that super can work for you – now and in the future.

- If you have super in a number of funds, rolling it over so it's all in one fund can avoid you paying more fees than you need to.
- If you're eligible, contributions you make could qualify you for a Government co-contribution of up to \$1,500\*.
- If your employer offers salary sacrificing, putting some of your before-tax pay into super can be a very tax-effective way to save\*.
- If you make contributions to your spouse's super, you may be eligible to claim a tax rebate.
- If you're aged 60 or over when you take your super as a lump sum or pension, it's tax free.

\* There's a calculator at [aonmastertrust.com.au](http://aonmastertrust.com.au)

## Find out more

web: [aonmastertrust.com.au](http://aonmastertrust.com.au)

phone: 1300 880 588

email: [contactcentre@aon.com.au](mailto:contactcentre@aon.com.au)

## The SuperMatch search we did with the ATO last year has identified lost super for many of our members.

Our search included all Aon Master Trust Corporate Super and Personal Super members except those who, in response to the article in the May 2007 Directions, requested us not to search.

If the search has found some lost super for you, we'll be sending you a brochure in March. "Look what we found" explains how to get together with your new-found super by bringing it into your Aon Master Trust account, and we've enclosed a form to make it really easy for you.



# Weathering the storm

Despite a slight recovery in early January, Australian and overseas markets have both fallen substantially since the start of the year.

While you may find this downturn unsettling, it follows several years of very good returns, particularly for the Australian share market. Investment markets necessarily have peaks and troughs which usually correct themselves over time.

Super is a long-term investment for most people, so you're likely to have a number of peaks and troughs to weather along the way. If you have invested for the long term in investments that may be volatile, you should think carefully before switching out of them after a brief downturn – try to avoid snap decisions and short-term fixes.

It's also important to have a long-term investment strategy that's right for you. You may choose a high-risk/high-return or lower-risk/lower-return strategy, but it is important that you pick a risk/return profile that you are comfortable with and one that is appropriate for your circumstances.

If you think your investment strategy is no longer right for you, the Aon Master Trust has over 40 options for you to choose from, with a wide range of risk/return profiles. See the relevant *Product Disclosure Statement* for option details, and our factsheets *Introduction to asset classes* and *Understanding investment risk* for general investment information. You'll find them on the website or contact us for a copy.

## A helping hand

If you're looking for some financial advice before making an investment decision, see page 3.



With interest rates at 12-year highs, now might be a good time to make sure you've got the right home loan.

As a member of the Aon Master Trust, you can arrange for a **free, no-obligation** home loan review by a lending manager.

For this and other services you can access through your membership, call 1300 880 588 or email [info@myeben.com.au](mailto:info@myeben.com.au)

## Investment pricing and transactions

We've received a number of enquiries about investment pricing and the typical turnaround time for an investment switch – here are the answers.

The trustee calculates and applies unit prices in a manner that values members' benefits and distributes investment earnings and losses equally. The trustee applies a forward unit pricing policy to process transactions to and from the Aon Master Trust. This means that all transactions are processed using a unit price that's calculated after the Aon Master Trust has received the fully completed transaction request.

This is in accordance with "best practice" unit pricing recommendations of both APRA and ASIC which recognise that there is always a delay in a fund's unit price being fully up to date with manager/market movements in all parts of the world. In the Aon Master Trust, investment switches are processed no earlier than the third business day after receipt of the completed request and normally within five working days. For more information on unit pricing, see your *Product Disclosure Statement*.

# Investment market update

## – three months to 31 December 2007

The environment in global financial markets continued to look gloomy during the last quarter of 2007.

Fears around the US subprime mortgage credit crisis worsened, creating volatile market conditions for investors across most asset classes. Oil, commodity and food prices continued to rise to record levels over the quarter, creating inflationary pressures in major economies. This heightened the dilemma for central banks: to save the financial system or to prevent inflation?

The UK, US and many other major economies cut interest rates with the aim of stabilising global financial markets and increasing liquidity in global money markets. Several major central banks injected billions of dollars into the global financial system in a bid to alleviate investor anxiety about an impending US recession. A number of large banks made further write downs for subprime losses.

### Asset classes: performance to 31 December 2007

	3 mth %	1 yr %	3 yr % pa	5 yr % pa	10 yr % pa
Australian shares	-2.7	16.1	21.0	21.0	13.6
International shares (\$A)	-1.6	-2.6	8.3	6.7	3.7
Listed property	-13.0	-8.4	11.5	14.8	13.0
Australian fixed interest	0.3	3.5	4.1	4.5	5.6
Global fixed interest (hedged)	2.8	7.0	6.2	6.6	7.3
Cash	1.7	6.7	6.2	5.8	5.5

#### Indices used:

Australian shares	S&P/ASX 200
International shares	MSCI World ex-Australia Index in A\$
Listed property	S&P/ASX 300 Listed Property Trust Accumulation Index
Australian fixed interest	UBS Composite Bond Index
Global fixed interest	Citigroup World Govt Bond Index hedged in A\$
Cash	UBS Bank Bill Index

### **Australian shares**

The Australian share market delivered a return of -2.7%. The impact of the US subprime situation and growing fears of a global downturn led to a second global share market correction for the year. Negative sentiment was aggravated by further news of slowing corporate earnings growth, rising oil prices and possible future interest rate rises in 2008 by the Reserve Bank.

Financial stocks, by association with global sector peers and their heavy falls, have suffered significantly from the subprime crisis and global downturn. Other casualties are companies with perceived US debt exposure – the main example being Centro Properties Group whose share price fell 81% in December.

Positives were Woolworths and other domestic retailers that benefited from a resilient Australian consumer. Also, despite falling into negative territory during the last quarter, the market returned a healthy 16.1% over the 2007 year, helped by the dominance of resource stocks and global merger and acquisition activity.

### **International shares**

International shares returned -3.0% in local currency terms. However, the fall in the Australian dollar added 1.4% to give the unhedged index a return of -1.6%.

At the centre of the global downturn, US share markets under-performed the world market in local terms with financial and cyclical stocks being the hardest hit. News that a number of Wall Street banks had increased their provisions for subprime losses over the quarter exacerbated an already volatile US market. The US Federal Reserve cut official interest

rates twice in the quarter to stabilise the US economy. In a bid to alleviate the credit crisis, the Reserve cut its special lending rate to banks and also made the unusual step of making US\$20bn available to US commercial banks at auction.

### **Listed property**

Following a long period of out-performance, global and local listed property performed poorly, suffering a severe correction amid tightened financial liquidity and fears of recession. Centro's share price fall of 81% contributed to the worst quarterly return in ten years for the Australian listed property market. In contrast, Australian direct markets benefited from sound local conditions.

### **Fixed interest**

Australian fixed interest returned a modest 0.3% compared with a 2.8% gain by international fixed interest. Most global government markets were impacted by two main factors: the easing of monetary policy amid fears of recession and investors turning to lower-risk assets during the financial market turmoil.

### **Cash and currency**

Australian cash returned 1.7%. The Reserve Bank increased official rates by 0.25% to 6.75% in November due to concerns over inflationary growth. The Australian dollar was weaker against most currencies, falling 0.8% against the US dollar.

Source: Aon Investment Consulting

What does this mean for your super investment?  
See pages 10 to 12 for Aon Master Trust returns.

# Aon Master Trust Corporate Super and Personal Super

## INVESTMENT PERFORMANCE TO 31 DECEMBER 2007

### TIER 1: PRE-MIXED ACTIVE OPTIONS

	3 mth %	FYTD %	1 yr %	3 yr % pa	5 yr % pa
High Growth	-1.3	1.2	8.4	12.7	12.3
Growth	-0.8	1.4	7.1	10.5	10.9
Balanced	-0.6	1.0	6.8	10.0	10.7
Capital Stable	0.0	1.0	4.7	6.7	7.7
Secure	0.9	1.4	3.0	3.9	5.0

### TIER 1: PRE-MIXED INDEX OPTIONS

	3 mth %	FYTD %	1 yr %	3 yr % pa	5 yr % pa
High Growth	-2.7	-0.4	5.8	13.0	N/O
Growth	-2.0	0.4	4.9	10.7	N/O
Balanced	-1.4	0.7	4.8	9.6	N/O
Capital Stable	-0.2	1.8	4.0	6.2	N/O
Secure	1.0	2.6	4.1	4.2	N/O

### TIER 2: SECTOR OPTIONS

	3 mth %	FYTD %	1 yr %	3 yr % pa	5 yr % pa
Australian shares	-1.1	5.8	20.6	20.3	20.1
International shares	-1.5	-3.8	-2.8	6.2	6.4
Property	-5.7	-2.1	1.3	11.2	10.2
Alternative – growth	1.9	N/O	N/O	N/O	N/O
Alternative – defensive	3.0	2.1	N/O	N/O	N/O
Diversified fixed interest	0.9	1.2	2.2	3.7	5.5
Cash	0.9	1.8	4.5	4.7	4.6

### *Pension*

Investment performance tables for the Aon Master Trust Pension are available on the website or call us for a copy.

### TIER 3: SPECIALIST OPTIONS

	3 mth %	FYTD %	1 yr %	3 yr % pa	5 yr % pa
<b>Australian shares</b>					
AMP Capital Sustainable Future Australian Share Fund	-3.0	2.6	14.6	18.4	18.8
Ausbil Australian Emerging Leaders Fund	1.6	3.2	13.9	N/O	N/O
Barclays Investment Funds Australian Alpha Equity	-2.8	4.1	17.4	19.0	N/O
Colonial First State Wholesale Imputation Fund	-4.4	1.0	8.9	15.5	15.8
JF Capital Partners Australian Equity Trust	2.6	6.8	17.8	21.9	21.2
Perpetual Wholesale Industrial Fund	-2.0	0.1	8.5	13.0	16.1
SSgA Australian Equities Index Trust	-2.3	3.2	14.8	19.5	N/O
<b>International shares</b>					
AMP Capital Fut. Dir. Extended Mkts Int'l Share Fund	-1.7	-5.6	-2.3	N/O	N/O
Barclays Investment Funds - Int'l Alpha Equity Fund	-2.3	-5.3	-5.1	N/O	N/O
Credit Suisse Asset Management Int'l Shares PST	-2.0	-3.2	-2.5	5.1	4.0
Platinum International Fund	0.7	-0.3	2.5	7.9	9.4
SSgA International Equities Index Trust	-1.6	-3.2	-2.3	7.2	N/O
<b>Property</b>					
AMP Australian Core Property Portfolio	8.5	12.1	24.1	16.9	N/O
SSgA Australian Listed Property Index Trust	-11.3	-6.9	-6.2	10.7	N/O
United Funds Management – United Sector Leader Property Fund <sup>1</sup>	-11.2	-8.9	-9.5	6.6	14.1
<b>Fixed interest</b>					
Macquarie Global Bond Solution	0.9	1.2	2.2	4.0	5.6
SSgA Australian Fixed Income Index Trust	0.0	1.1	2.7	3.0	N/O
SSgA Global Fixed Income Index Trust	2.3	5.2	5.2	4.8	N/O
<b>Diversified</b>					
Barclays Superannuation Funds Div. Growth Fund	-2.1	-0.1	5.8	11.7	N/O
Barclays Superannuation Funds Div. Stable Fund	-0.5	1.0	4.3	7.0	N/O
ING Wholesale Managed Growth Trust	-1.7	-0.1	4.7	9.4	10.0
Maple-Brown Abbott PST	-1.0	0.3	4.7	N/O	N/O
MLC Aggressive Option	-2.4	0.3	7.3	14.2	N/O
MLC Assertive Option	-1.9	0.9	7.1	12.6	N/O
MLC Moderate Option	-1.5	1.3	6.7	11.2	N/O
MLC Conservative Option	-0.1	1.5	4.5	6.6	N/O

<sup>1</sup> Formerly HSBC SectorChoice PST – Property Securities/ Challenger Wholesale Property Securities.

N/O Product not offered in this time period.

See 'Notes to investment performance' on the next page

## Notes to

### INVESTMENT PERFORMANCE

All the returns are based on the unit prices of each option. Returns are net of investment fees, and an allowance for tax on the investment income, but before any Aon Master Trust fees.

Past performance should not be considered a guide to future performance.

Benchmark asset allocations for the above options are shown in the Product Disclosure Statement (available at [aonmastertrust.com.au](http://aonmastertrust.com.au) or call us for a copy). For quarterly actual asset allocations, see Investment profiles on the website.

While the investment performance information above has been obtained from sources that Aon Superannuation Pty Limited believes to be reliable, Aon Superannuation Pty Limited does not warrant, represent or guarantee the accuracy, adequacy, completeness or fitness for any purpose that the information may be used. Aon Superannuation Pty Limited can accept no liability for any loss incurred in any way whatsoever by any person who may rely on it.

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