

Directions

March 2006



Get a
bigger
result...

for much less effort

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When it comes to building wealth and saving for the future, it's sometimes hard to know where to start. Fortunately, there are a number of ways you can get a leg up without having to do too much – or spend too much – yourself. The government, the tax office, your employer and your super fund have all introduced certain initiatives and services that give you much better value for your savings dollar. In this issue of *Directions*, we take a look at some of the ways you can make your money work that little bit harder.

Statements on demand

You can now obtain a hard or soft copy of your benefit balance, transactions and investment options with our new 'statements on demand' service. This service replaces the 31 December printed statements, which are now subject to certain legislative requirements that would have resulted in increased costs to members. To obtain a statement, simply call our contact centre on 1300 880 588 or log on to aonmastertrust.com.au

There will be no change to the delivery of the 30 June 2006 benefit statement and it will be mailed to your nominated address during September 2006.

Boost your pay packet by salary sacrifice

Salary sacrificing is a popular way for employees to boost their superannuation savings. Salary sacrificing simply means paying money into super from your **gross** (before-tax) salary rather than your **net** (after-tax) salary and it offers a number of benefits:

	Stephen without salary sacrifice	Paula with salary sacrifice
Gross salary	\$60,000	\$60,000
Less salary sacrifice to super	Nil	\$3,529 [^]
Adjusted gross salary	\$60,000	\$56,471
Less income tax*	\$13,860	\$12,801
	\$46,140	\$43,670
Less after-tax payment to super	\$3,000	Nil
Net take-home pay	\$43,140	\$43,670
Net contribution to super	\$3,000	\$3,000

* tax based on individual income tax rates 2005-06 ex-Medicare levy
[^] salary sacrifice contributions are taxed at 15% on entry to the fund

- Your taxable income is reduced because your contributions are made from your pre-tax salary. You could potentially fall into a lower tax bracket.
- You can get more money in your pay packet and still contribute the same amount to your superannuation fund.
- Salary sacrifice contributions are not subject to fringe benefits tax.

The example shows how salary sacrificing can increase your take-home pay. Stephen makes voluntary contributions to superannuation from his after-tax pay.

Great benefits at the touch of a button

More and more people are using the internet as a quick and convenient way to get information about... well, pretty much anything.

This is why we've spent a lot of time improving our website and other online services. We want to give our members easy access to information not only about their super account, but other useful services such as my ebenefits.

my ebenefits is a package of products and services for members of the Aon Master Trust that is delivered online, by phone and by email. The package includes private health plans, personal financial planning, free email & phone tax and legal advice, a retail shopping service, and online guides for news, sport, weather, restaurants, movies, TV and event ticketing.

Going online not only gives you access to *my ebenefits* but also your personal super account. Once online, you can:

- check your account and transaction details
- update personal details and beneficiaries
- switch investments
- check details of your contributions and rollovers
- calculate a benefit quote
- refer to fund publications and forms
- use our education material.

If you can't log in or if you have any comments or questions, please call our customer contact centre on 1300 880 588 or send us an email at contactcentre@aon.com.au

Paula, on the other hand, sacrifices some of her salary for superannuation **before** income tax is deducted. The difference is more than \$500 a year in take-home pay!

You should seek independent tax advice from a taxation specialist or consult a financial planner to make sure that salary sacrifice is suited to your own circumstances. If all is OK, arrange with your employer to make the salary sacrifice payments from your 'before-tax' salary.

We can help you find an adviser if you don't already have one. Call the contact centre on 1300 880 588.

How to get online

1. Go to the website
www.aonmastertrust.com.au
2. Click on the 'online login' button (top left corner of page).
3. The next page will request your User name and Password. Enter these details then click on the round 'login' button.
4. The next page will give you the option to change your password. Passwords must consist of four numbers.

You should now see your personal account home page.



Sharing the benefits with spouse super

The Aon Master Trust allows members to make contributions on behalf of their spouse. And if the spouse is not working or is a low-income earner, the contributing partner may be able to claim a tax rebate. There is no limit on how much the partner can contribute on behalf of the spouse, but the maximum rebatable contribution is \$3,000.

The maximum rebate of \$540 (18% of \$3,000) is available if the spouse's assessable income is \$10,800 or less. Where the spouse's income is above \$10,800, the rebate is calculated on \$3,000 reduced by \$1 for every dollar that the spouse's income exceeds \$10,800. The rebate is reduced to zero when the spouse's assessable income reaches \$13,800.

The advantages of spouse contributions:

- In some cases, being able to claim a tax rebate up to \$540 reduces the contributor's PAYE tax liability.
- It is a way to split assets, which may have certain tax benefits.
- Investing in a concessionally taxed environment (a maximum of 15% as opposed to the investor's marginal tax rate).
- Building a large amount of undeducted contributions that are tax-free if cashed, or paid as tax-free income from an annuity or pension.
- The annuity or pension income will qualify for a 15% rebate (if within RBLs).
- The investment can be in a tax-free environment when an income stream (annuity or pension) is purchased. (A complying superannuation fund is generally entitled to a tax exemption for a certain amount of its income).

For more information, talk to a financial adviser. We can help you find an adviser if you don't already have one. Call the contact centre on 1300 880 588.

New contribution splitting rules could mean big tax savings

The Federal Government has passed legislation that allows superannuation fund members to split both personal and employer contributions with their spouses.

Contribution splitting gives couples access to two tax-free thresholds and two reasonable benefit limits (RBLs), which could significantly reduce the tax payable on lump sum or pension payments. The new rules will also help couples where the spouse has little or no accumulated superannuation benefits.

The following example highlights the potential tax saving offered under the new contribution splitting rules.

John is 48 and currently has \$130,000 in superannuation. His wife Mary is also 48, she works part-time and has saved \$15,000 in super. At age 65, they will have jointly accumulated over \$800,000 in superannuation, assuming John salary sacrifices an additional 5% of his salary over and above his employer's 9% SG contribution. Almost \$82,000 lump sum tax will be payable on withdrawal. However, if John allocates 50% of his super contributions from age 48 to 65 to his wife's account, they will still accumulate the same total lump sum but they will be liable for less than \$60,000 in tax, a saving of over \$20,000.

- Contribution splitting only applies to accumulation accounts, but it may be permitted for defined benefit members' additional contributions to accumulation accounts.
- It is not compulsory for fund trustees to offer contribution splitting.
- Only one application may be accepted by a trustee in any one financial year. Members will have up to 12 months to make their application.
- The decision to split is irrevocable.
- The amount split in favour of the member's spouse will be treated as an ETP rollover for that spouse, which means the member's spouse may access his or her own reasonable benefit limit and the tax-free threshold.

The Australian Taxation Office website (www.ato.gov.au) has more information on contribution splitting, including fact sheets. Alternatively, talk to your financial adviser. We can help you find an adviser if you don't already have one. Call the contact centre on 1300 880 588.

	OPTION A – No splitting		OPTION B – Splitting	
	Accumulated benefit	Lump sum tax payable	Accumulated benefit	Lump sum tax payable
John	\$721,564	\$81,517	\$553,501	\$53,787
Mary	\$86,517	Nil	\$254,480	\$4,448
TOTAL	\$807,981	\$81,517	\$807,981	\$58,235

Assumptions

Salary increases	4% pa	SG contributions	9% pa
Investment return	7% pa	Salary sacrifice contributions	5% pa
CPI	3% pa	Split proportion	50% pa

The new rules in brief

- Applications to split are made at the end of the financial year, so contributions from January 2006 to June 2006 can be split at any time from 1 July 2006 to 30 June 2007.
- Up to 85% of tax-deductible (before-tax) contributions and 100% of non-deductible (after-tax) contributions may be split to the spouse's account.



Helping to track down lost super

Every time you change jobs, you can end up with another superannuation account. So if you think some of your super may have fallen between the cracks when you've been changing jobs, or you simply want to check, the Australian Taxation Office (ATO) might be able to help. They maintain a register of lost members and unclaimed amounts to which members may be entitled.

How to track down lost super

The Australian Tax Office estimates that one in three working Australians has unclaimed super. Government statistics suggest there is more than \$6.8 billion worth of lost super waiting to be claimed. To find out if some of this might be yours:

- Gather the most recent statements from all your super funds and look for the name and address of each super fund and the member/policy number of each super account.

- If you can't find all your super funds, call your previous employer and ask for the name, address and telephone number of the super fund where your money was placed. Then call the super fund to confirm that they have your money.
- If you can't find all your super it may be classified as lost. Call the Australian Taxation Office Lost Members Register on 13 10 20 or go to the ATO website (see **SuperSeeker** inset below). You'll need to provide your name, date of birth and tax file number when you call.

How to consolidate your super

Once you've tracked down your super, think about consolidating it all into one account. By having your super in one account you can avoid extra paperwork, minimise account fees, and have a uniform investment strategy, which may lead to better returns.

Transfer authority forms are available on the Aon Master Trust website under the "Publications" menu or alternatively, you can request a form by calling the contact centre on 1300 880 588.



SuperSeeker – a free service

To find your lost super go to the ATO website (www.ato.gov.au/super) and look for SuperSeeker. SuperSeeker is an online search facility that provides you with instant possible matches. And it's free. SuperSeeker also checks other ATO records like the Superannuation Holding Accounts Reserve (SHAR) and unclaimed Superannuation Guarantee Vouchers. To use SuperSeeker, you need your tax file number, date of birth and name. If you do not know the name of your previous superannuation fund, you can complete the Lost Members enquiry form available from the website or call the Superannuation Infoline on 13 10 20.

Money for nothing

The government's co-contribution scheme could mean an extra \$1,500 a year towards your retirement savings. If you earn under \$58,000, all you have to do is make a personal contribution (not salary sacrifice) and file your tax return. The table gives you a guide to your entitlement. The Australian Tax Office website has an online calculator that can show you exactly how much co-contribution you are eligible to receive. Go to www.ato.gov.au/super to learn more about the co-contribution and use the calculator.

YOUR INCOME	IF YOU PUT IN...	...THE GOVERNMENT WILL CONTRIBUTE
Income level pa (assessable income + reportable fringe benefits)	Personal contribution needed to receive maximum co-contribution	Maximum co-contribution
\$28,000	\$1,000	\$1,500
\$30,000	\$934	\$1,400
\$35,000	\$770	\$1,150
\$40,000	\$600	\$900
\$45,000	\$434	\$650
\$55,000	\$100	\$150
\$58,000	Nil	Nil

Investment performance to 31 December 2005

Tier 1 Pre-mixed active options

	3 mth %	Fin YTD %	1 yr %	3 yr % pa	5 yr % pa	Asset allocation	Growth	Defensive
High Growth	3.6	11.5	15.1	12.8	4.9		Australian shares 40.0% Int'l shares 40.0% Property 5.0% Alternative assets 15.0%	
Balanced Growth	2.9	8.6	12.1	11.6	5.7		Australian shares 30.0% Int'l shares 30.0% Property 5.0% Alternative assets 10.0%	Div fixed interest 25.0%
Balanced	2.7	8.1	11.2	11.5	6.3		Australian shares 27.5% Int'l shares 27.5% Property 5.0% Alternative assets 5.0%	Low risk/mkt ntrl 5.0% Div fixed interest 25.0% Cash 5.0%
Capital Stable	1.6	4.5	7.0	8.6	5.9		Australian shares 10.0% Int'l shares 10.0% Property 5.0%	Low risk/mkt ntrl 10.0% Div fixed interest 50.0% Cash 15.0%
Secure	1.1	2.1	3.9	5.8	5.7			Div fixed interest 60.0% Cash 40.0%

Tier 1 Pre-mixed index options

	3 mth %	Fin YTD %	1 yr %
High Growth	5.5	14.8	19.8
Balanced Growth	4.4	11.1	15.6
Balanced	3.9	9.7	12.4
Capital Stable	2.2	4.6	8.3
Secure	1.1	1.8	5.0

Tier 2 Sector options

	3 mth %	Fin YTD %	1 yr %	3 yr % pa
Australian shares	2.6	11.5	18.6	19.3
International shares	5.7	12.6	12.8	8.7
Listed property	2.3	5.6	8.4	8.6
Div fixed interest	1.1	1.9	4.3	6.9
Cash	1.2	2.3	4.7	4.5

Tier 3 Specialist options

Option	3 months %	Fin YTD %	1 year %	3 years %
AUSTRALIAN SHARES				
Alpha Aust Equity Trust	1.8	11.9	18.8	17.8
AMP Sustainable Future Aust Share	2.4	12.7	16.3	18.2
BGI – Aust Alpha Equity	3.0	13.2	19.5	N/A
Colonial First State Imputation	3.1	13.3	19.9	17.4
ING Emerging Companies#	4.6	13.0	26.1	31.6
JFCP Australian Shares	1.9	15.0	25.4	21.8
Perpetual's Industrial Share	1.1	8.6	11.2	17.5
SSgA Australian Equities Index	2.2	12.6	21.4	N/A
INTERNATIONAL SHARES				
Credit Suisse International Shares	11.1	15.4	15.2	6.4
Platinum International	8.7	19.3	17.2	13.5
SSgA International Equities Index	9.5	18.0	18.8	N/A
PROPERTY				
AMP Core Property Portfolio	1.4	3.3	6.6	N/A
HSBC Property Securities	4.8	7.7	7.8	13.6
SSgA Aust Listed Property Index	4.1	8.7	9.9	N/A

Option	3 months %	Fin YTD %	1 year %	3 years %
FIXED INTEREST				
Macquarie Global Bond Solution	1.0	1.8	5.2	7.2
SSgA Aust Fixed Income Index	1.5	2.1	4.9	N/A
SSgA Global Fixed Income Index	0.7	1.3	6.1	N/A
ALTERNATIVE ASSETS				
IXIS Australia Aurora II	1.0	-0.1	4.3	N/A
Coastal International Equity	0.7	5.9	5.0	N/A
Coastal Magnum Div Performance	-0.2	3.3	8.5	6.5
Vertex Aust Long/Short	1.4	0.6	0.4	N/A
Warakirri Absolute Return	0.8	0.2	4.5	7.9
DIVERSIFIED				
BGI Diversified Growth	3.5	9.6	15.5	N/A
BGI Diversified Stable	2.0	4.8	9.2	N/A
ING Managed Growth	4.6	9.7	14.3	12.0
Maple-Brown Abbott	3.8	8.5	N/A	N/A
MLC Aggressive	5.0	13.8	19.1	N/A
MLC Assertive	4.5	12.1	16.9	N/A
MLC Moderate	3.9	10.3	14.9	N/A
MLC Conservative	2.6	5.8	8.8	N/A

ACTUAL RETURNS

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. Before 1 July 2001, the returns for the pre-mixed options are based on the equivalent option in Aon Master Trust.

BENCHMARK RETURNS

The benchmark returns for the pre-mixed options and sector options are calculated using the asset class indices listed below and allowing for tax assumptions. Note that the benchmarks for the pre-mixed options are weighted according to the asset allocation for each option. The asset allocation pie charts show the specific weights for each pre-mixed option.

Australian shares	S&P/ASX 200
Int'l shares	MSCI World ex-Aust Net (AUD)
Property	S&P/ASX 200 – Prop Trusts (GIC) Accum
Div. fixed interest	75% UBS Warburg Composite All Mat / 25% Salomon WGBI Hedged
Cash	UBS Warburg Bank Bill

ASSET ALLOCATION

The pie charts show long-term strategic asset allocations for the pre-mixed options. Actual asset allocations are maintained within ±2% of strategic asset allocations.

Not available as a specialist manager option.

^ Funds invested in Wellington Management Portfolios (Australia) Global Intersection Portfolio were transferred to Wellington Management Portfolios (Australia) Global Research Equity Portfolio on 11/03/2004.

Allocated pension

Pre-mixed options

	3 mth %	Fin YTD %	1 yr %
High Growth	3.0	N/A	N/A
Balanced Growth	4.3	10.8	16.9
Balanced	3.9	10.2	15.3
Capital Stable	2.4	5.9	10.3
Secure	1.2	2.1	6.3

Sector options

	3 mth %	Fin YTD %	1 yr %
Australian shares	3.0	14.3	22.6
International shares	8.4	17.5	20.3
Property	4.7	7.1	9.8
Div fixed interest	1.4	2.3	6.6
Cash	1.5	2.9	5.8

Specialist options

Option	3 months %	Fin YTD %	1 year %
AUSTRALIAN SHARES			
Colonial First State Imputation	3.5	14.7	21.9
Perpetual's Industrial Share	1.3	10.4	12.2
INTERNATIONAL SHARES			
Platinum International	9.2	21.8	19.9
Vanguard International Shares Index	8.4	15.6	14.7
PROPERTY			
Vanguard Property Securities Index	4.5	10.0	6.9
FIXED INTEREST			
Macquarie Global Bond Solution	1.3	3.9	8.2
Vanguard Aust Fixed Interest Index	1.9	2.3	5.8
Vanguard Global Fixed Interest Index	1.7	2.5	7.9

Your roadmap to financial security

The key to a secure financial future is planning. The trouble is that very few people have either the knowledge or the time to prepare a proper plan themselves. This is where Aon can help.

One of our experienced advisers will help you review your current circumstances, set your short and long term objectives, then develop a plan for achieving those objectives. The plan will incorporate superannuation and other investments, estate planning, insurance and retirement planning.

As a user of Aon's financial planning services, you will have access to:

- Global and local expertise
- One of Australia's largest financial advisory and risk management companies
- Sound professional advice that complies with Australian insurance and financial planning codes of ethics and rules of professional conduct
- A powerful combination of local knowledge and international depth
- Most of the major global investment managers and risk protection organisations.

Aon's extensive research network ensures that our financial advisers have the very latest information from local and global investment markets. This means better quality advice and better quality investment decisions.

Aon's financial planners are not controlled by a bank, insurance company or financial institution, so you can be confident that the advice is based purely on your needs, without any parent company product influence.

Your plan is a step-by-step roadmap for getting where you want to be ...

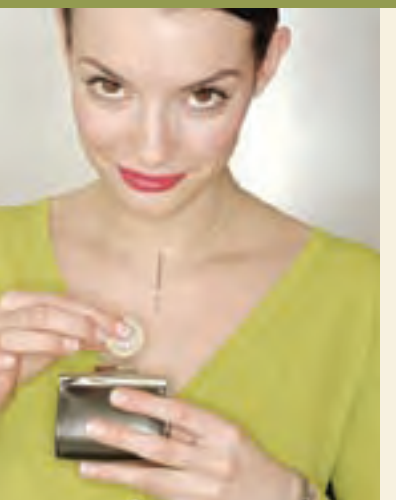
- STEP 1 Understand where you are today
- STEP 2 Understand where you want to go
- STEP 3 Compare where you are with where you want to be
- STEP 4 Prepare the plan
- STEP 5 Implement the plan
- STEP 6 Ongoing feedback and review

If you would like a referral to a qualified financial planner, call our customer contact centre on 1300 880 588. Our planners are located right across Australia so call us for details of a qualified financial planner in your area.

Financial planning services are provided by Aon Wealth Management (AFSL No. 239187) and Aon Financial Planning & Protection (AFSL No. 239183)

Investment commentary

December 2005



Share markets had another strong year, contributing to double-digit returns for most diversified super funds for the 2005 calendar year. All investment classes recorded positive returns but in each quarter of 2005, share markets led the way with the Australian share market among the best performers.

During the December quarter 2005, international share markets began catching up with the local market. The better performance of overseas shares reflected further improvement in the Japanese economy, strong growth in China and some emerging markets, and the resilience of both the US economy and US dollar in the wake of Hurricane Katrina and the energy price shock.

Australian shares

The Australian share market has continued its strong recent performance with a return of almost 23% over the past 12 months. The economy is still in good shape and this should underpin company earnings and the share market. Most of our trading partners are growing strongly, which should support demand for Australian products. Interest rates should remain low and fairly stable. The main risks appear to be higher US interest rates, slower Chinese growth and the sustainability of Japan's recovery.

International shares

The (unhedged) international share market posted a healthy but volatile 7.4% for the quarter and almost 17% for the year. Looking ahead, the European economy appears to be picking up and Japan is tempting investors with its third share market recovery in ten years. Economic growth in China and India continues at a rapid pace and the US economy is still expanding. These are reasonable foundations for global share markets in the year ahead. The global risks are the same as those for Australia: US interest rates, Chinese growth and the sustainability of Japan's recovery, with the additional risk of a depreciating US dollar.

Listed property

Listed property posted a return of 6.8% for the December quarter and 12.7% for the year. The 2005 performance, though strong, was held back by the possibility of a rising interest rates.

Industrial trusts were the best performing sector for the year, returning 19.2% followed by retail (18.6%) and commercial (4.8%).

Fixed interest

The Australian fixed interest market returned 1.9% for the quarter and 5.8% for the year. Inflation is creeping up and touched the upper level of the Reserve Bank's 2-3% band before the latest CPI eased back to 2.8%. The Reserve Bank has left the official cash rate unchanged at 5.5% for the last nine months.

Global fixed interest returns were positive for the quarter (1.2%) and strong for the year (7.5%). The Federal Reserve has lifted rates by 3.25% to 4.25% over the last 18 months. Global bond yields remain low despite the pressures of commodity price rises and the flow-through effects on inflation.

	3 mths%	1 yr%	3 yrs% pa	5 yrs % pa
Australian shares	3.6	22.8	21.7	12.6
International shares (\$A)	7.4	16.8	8.4	-3.6
Listed property	6.8	12.7	17.5	15.8
Australian fixed interest	1.9	5.8	5.3	6.0
Global fixed interest (hedged)	1.2	7.5	7.4	8.1
Cash	1.4	5.7	5.4	5.3

Cash

Australian cash returned 1.4% for the December quarter and 5.7% for the year. The Reserve Bank left official cash rates unchanged during the quarter. Rates have been on hold since March because of the absence of any substantial increase in consumer price inflation.

Source: Aon Investment Consulting

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