



September 2003 Edition

TALKING POINT!

WELCOME

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We hope that you find TALKING POINT! informative and welcome your feedback. Please feel free to e-mail any comments, questions or suggestions to us on info@northbridgeadmin.com.au.

In this edition we cover the following topics:

- Investment market update and review;
- Changes to Superannuation;
- Estate Planning;
- Useful Tax Facts.

INVESTMENT MARKET UPDATE

The past 24 months have been a remarkable time in investment markets.

The following table shows how each of the major asset classes in which typical balanced funds invest, performed in the years ending 30 June 2002 and 2003:

Asset Sector	Index Return for the Year Ending	
	30 June 2002	30 June 2003
Australian Shares	-4.5%	-1.7%
Int'l Shares	-23.2%	-18.5%
Listed Property	14.9%	12.1%
Aust Fixed Interest	6.2%	12.2%
Int'l Fixed Interest	8.0%	9.8%
Cash	4.7%	5.0%

In the 2002 financial year, International shares were adversely affected by the downgrading of technology companies, then by the shock of September 11, and by the collapse of energy giant Enron and telecommunications company WorldCom, which raised questions about accounting practices within American companies.

In the 2003 financial year, nervousness about the outcome of the conflict in Iraq and the US economy has seen both international and local share markets continue to experience negative returns. International share markets have performed worse than the Australian market, mainly as a result of the rise in the A\$.

The source of the negative returns for balanced or managed funds for the last two financial years has been the exposure to shares, especially international shares. Most balanced or managed funds invest a substantial portion of their assets in shares, because shares are expected to outperform fixed interest and cash investments over the long term. Australian superannuation and managed funds have not been insulated from these poor investment returns.

Market Outlook - Where to from here?

The outlook for global economic recovery is improving. There are encouraging signs that low interest rates, tax cuts and fiscal measures are stimulating economic activity in the US, and that other economies are following this lead. Stock markets are now factoring in a global recovery, despite lingering concerns regarding high debt levels around the world. In this environment growth assets are expected to resume outperforming defensive assets once again.

Notwithstanding the positive trend, volatility will continue until there is a more solid base for investor confidence, and portfolio diversification and a long term strategy are still recommended for investors. *(continued over page)*



RECENT CHANGES TO SUPER

Child Contributions – from 1 July 2002

- Maximum contribution of \$3,000 each three year period;
- Contributions can be made by any person on behalf of the child;
- The contributions are fully preserved.

Contribution Age Increased – from 1 July 2002

- From age 70 to 75 for personal and employer contributions;
- Must be working a minimum of 10 hours a week at the time of the contribution;
- Generally, contributions are not tax deductible after age 70.

Superannuation Guarantee (“SG”) – from 1 July 2003

- SG contributions must be remitted quarterly from 1 July 2003;
- Employers must tell employees how much has been paid and to which super fund.

CHANGES NOT YET LEGISLATED

The following changes have been proposed by the Coalition Government but have yet to be legislated:

- Co-contributions for low income earners;
- The proposed reduction in the superannuation surcharge;
- Choice of Fund legislation;
- Portability of Super Benefits;
- Splitting contributions between couples.

ESTATE PLANNING

Estate Planning is too often overlooked. It involves the structuring of your financial affairs so that your assets can be dealt with tax-effectively and according to your wishes in the event of your death or incapacity.

Do you have:

- An up-to-date Will that reflects your current personal and financial circumstances?
- An enduring Power of Attorney?

Enduring Powers of Attorney can enable a family member or trusted person to continue to manage your affairs in the event you become mentally incapacitated.

Have you made a Nomination of Beneficiaries for your Superannuation Benefit?

By nominating dependants you provide a guide to the Trustees of your super fund as to how you would like your superannuation benefit to be distributed in the event of your death. Note that under normal circumstances the Trustee has absolute discretion when distributing a superannuation death benefit but will take your nomination into account.

Some funds allow a ‘binding death benefit nomination’- in this case the Trustee must follow your direction provided you nominate a valid dependant.

USEFUL TAX FACTS

Most of the tax thresholds have been increased with effect from 1 July 2003. If you are interested in the latest tax rates, please feel free to visit our website:

www.northbridgeadmin.com.au/nfs/taxfacts.asp

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