

Welcome to our latest newsletter. Our goal is to ensure that the content is relevant, topical and brief. Should you need further information please do not hesitate to contact our office on 02 9392 8700. We will gladly provide you with further details.

With that in mind we have included a few areas which you may wish to reflect on:

1. Investment commentary
2. Themes from the Budget
3. Co-contribution – it's a free lunch if you or your spouse is earning under \$58,000
4. Spouse Contribution
5. Transition to retirement for those who are either over 55 or approaching 55
6. Introducing our new mortgage and debt service

### Investment Commentary

The global economic picture shone reasonably brightly over the March quarter. The US appears to have recovered from the hurricanes and oil price induced slow-down of late 2005, nudging up growth (and inflationary) expectations. European data is also improving and the Bank of Japan has indicated that it is on the path to "normal" monetary conditions. The up-shot was that global equity markets returned 9.69% for the March quarter, as measured by the MSCI World (ex Australia) Index, expressed in Australian dollars.

Australian equities managed to perform in-line with its global peers, returning 9.03% for the period. The Australian market was stronger on the back of a broadly positive company reporting season, continuing strength in commodity prices, and ongoing merger & acquisition activity. Positive performance came despite mixed economic releases, with slowing GDP growth and a record trade deficit on the one hand, and improving retail sales and strengthening business confidence on the other.

Property trusts underperformed the broader Australian equity market, returning 1.74% for the quarter. The sector was held back by the

underperforming Westfield Group, which fell 2.8% for the period. Westfield Group, which constitutes in excess of 30% of the sector's market capitalisation, was lower on concerns over lack of growth in distributions going forwards.

The Reserve Bank of Australia left the cash rate unchanged at 5.50% over the quarter, whereas the US Federal Reserve raised rates by 0.50% to 4.75%. The US move appears to be part of an aggressive anti-inflation stance. Australian 10-year bond yields rose 0.21% over the quarter to finish at 5.41%, while US 10-year bond yield rose 0.45% to finish at 4.85%. The Australian dollar depreciated against its US counterpart, falling 2.4% over the period to finish at US71.59 cents. It was also weaker against most other currencies. The narrowing interest rate differential between Australia and the US, concerns over the size of the current account deficit and proximity to the plunging New Zealand dollar combined to drive the Australian dollar lower.

Sources: Legg Mason "The Corporate Superannuation Master Trust" Quarterly Investment Update / 31 March 2006.

Performance of Investment Markets	5 Years % p.a.	3 Years % p.a.	1 Year %	6 months %	3 months %
Australian Equities (S&P/ASX 200 Accumulation Index)	14.83	26.43	30.35	12.91	9.03
Australian Fixed Interest (UBS Australian Composite Bond Index)	5.6	5.23	6.74	2.73	0.85
Property (S&P/ASX 200 Property Trust Accumulation Index)	16.52	17.28	18.21	8.61	1.74
International Equities (MSCI World (Ex Aust) Index, Unhedged)	-1.63	16.56	27.96	17.79	9.69
International Fixed Interest (Citigroup World Government Bond Index, Hedged)	7.38	6.34	4.96	0.41	-0.77
Cash (UBS Australian Bank Bill Index)	5.23	5.49	5.8	2.83	1.39
Inflation Rate: March 2006 (Consumer Price Index - CPI)	2.74	2.44	2.98	1.4	0.86

### Proposed Budget Changes

With the announcement of Budget 2006, it is now a good time to take stock of the key themes.

1. Put the tax savings to good use. Look to save the tax savings into your super rather than spend it.
2. Consider saving up to \$50,000 pa pre tax through Super (for those aged 50 and over the threshold is \$100,000 to 2011/12) and consider saving after tax monies into Super (limit \$150,000 pa).
3. Retire no earlier than age 60 – or leave money in Super for as long as possible.
4. There is no limit on how much can be saved in Super.
5. Super Splitting - now consider splitting to your older spouse so you can access the tax free pension earlier.
6. Leave your money in the Pension phase as long as possible (no more maximum's, no earnings tax or CGT within the Pension Fund). Do NOT take a lump sum even though you can.
7. Focus on Asset Allocation/ Portfolio Construction - the most appropriate portfolio for you, can add significant value to your overall portfolio at age 60

Please note that these are proposed changes – they still need to be legislated.

### Co-contributions – let the Government top-up your super

You may be eligible for the Government to make a co-contribution to your super **if you make a personal (after tax) contribution by 30 June 2006.**

- If you earn \$28,000 a year or less, for every \$1.00 you contribute, the Government will contribute \$1.50, up to the maximum of \$1,500 each year.
- If you earn between \$28,000 and \$58,000, the Government will contribute up to the maximum of \$1,500 less 5 cents per dollar of income earned over \$28,000, up to the cut-off of \$58,000.

The following table shows what the Government's co-contribution will be, based on your own contributions of \$1,000, \$800, \$500 or \$200.

if you earn	if your super contribution is			
	\$1,000	\$800	\$500	\$200
	the Government will co-contribute			
\$28,000 or less	\$1,500	\$1,200	\$750	\$300
\$30,000	\$1,400	\$1,200	\$750	\$300
\$35,000	\$1,150	\$1,150	\$750	\$300
\$40,000	\$900	\$900	\$750	\$300
\$45,000	\$650	\$650	\$650	\$300
\$50,000	\$400	\$400	\$400	\$300
\$58,000 or more	\$0	\$0	\$0	\$0

### Spouse Contribution

If your spouse's assessable income is less than \$10,800, why not make a contribution to their superannuation account of \$3,000. You will receive a tax rebate of \$540 which effectively implies a tax rate of 18% on that amount.

Please note that you can contribute less than \$3,000; the rebate shall reduce proportionately.

### Transition to Retirement

If you are working and over the age of 55 and wish to maintain your current lifestyle, you may consider a transition to retirement strategy whereby you

- Salary sacrifice part or all of your salary.
- Access part or all of your superannuation as a pension.

This strategy applies to people who wish to

- reduce their work hours and to supplement their income with their pension, or
- continue working the same hours but want to salary sacrifice more money into their superannuation and thus grow their investments in a tax effective way.

We have recently implemented a number of solutions for clients in this position. If you are in this position and wish to seek professional advice, please call us on 02 9392 8700 or alternatively send an email to [brianm@horizonwealth.com.au](mailto:brianm@horizonwealth.com.au).

### Advice on your Mortgage and Debt

As a result of numerous requests from our clients we have introduced our new Mortgage and Debt service with our strategic partner, Kingsbridge & Eagle.

Kingsbridge & Eagle currently provides lending advice to our clients. They are **independently owned** and not aligned to any institution.

#### Who does this apply to?

If you have an existing mortgage or car lease and wish to determine whether you have the most appropriate financing arrangement, then you may wish to review your current structure.

Alternatively, if you are considering purchasing a property and wish to seek objective advice then you may also take advantage of this opportunity.

#### What do I have to do?

We are offering a **Free Debt Review** to all our clients. You can book a half hour consultation by contacting our office on 02 9392 8700 should you wish to avail yourself of this service.

### What can Horizon Wealth Management do for you?

- We help our clients create wealth so that working becomes optional
- We help our clients make personal financial decisions within a sound intellectually robust framework
- We will **solve** your financial concerns, **simplify** your life and **save** you time
- We will assist you in making **smart** financial decisions so that you **avoid costly mistakes**

Horizon Wealth Management provides objective and unbiased advice, a rare commodity today. Should you wish us to cover any other topics or wish to meet with us, please give us a call on 02 9392 8700 or [brianm@horizonwealth.com.au](mailto:brianm@horizonwealth.com.au).

#### General Advice Disclaimer

This information was prepared by Horizon Wealth Management. It is of a general nature and does not take into account your personal investment objectives, financial situation or particular needs. You should assess whether this general advice is appropriate to your individual objectives, financial situation and needs. You can make this assessment yourself or seek the help of a professional financial advisor or taxation professional.



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