

RSE Licence No. L0000376 Fund Registration No. R1000405

IMPORTANT – READ THIS BEFORE 1 JULY

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THE KINDEST CUT OF ALL

The tax cut announced in last month's Federal Budget will add \$14.42 a week (\$750 pa) to take-home pay for most members of the Fund from 1 July 2007 (ie. members whose income exceeds \$25,000 a year).

Will you notice the difference? Will the extra money just disappear on the necessities of life or will you be able to put some of it aside for the future?

Many of us live to our income and find that, at the end of each pay period, there's nothing left over for things like long term savings (such as paying off our retirement).

So – here's something to think about. If you are already managing on your current take-home pay, why not set aside the extra money from the 1 July tax cut as a top-up contribution for your super?

HOW DOES THE TAX CUT WORK?

The table opposite shows the tax rates that apply to you now and those that will apply from 1 July 2007. Note that, currently, the income you earn between \$6,001 pa and \$25,000 is taxed at 15% plus 1.5% Medicare Levy and the income you earn between \$25,001 and \$75,000 is taxed at 30% plus 1.5% Medicare Levy.

However, from 1 July, the income you earn between \$6,001 and \$30,000 will be taxed at the 15% rate ie. \$5,000 of your annual income which is currently taxed at 30% will move down to a tax rate of 15%. That reduction results in a saving of \$750 a year in tax (15% of \$5,000).

PERSONAL TAX RATES

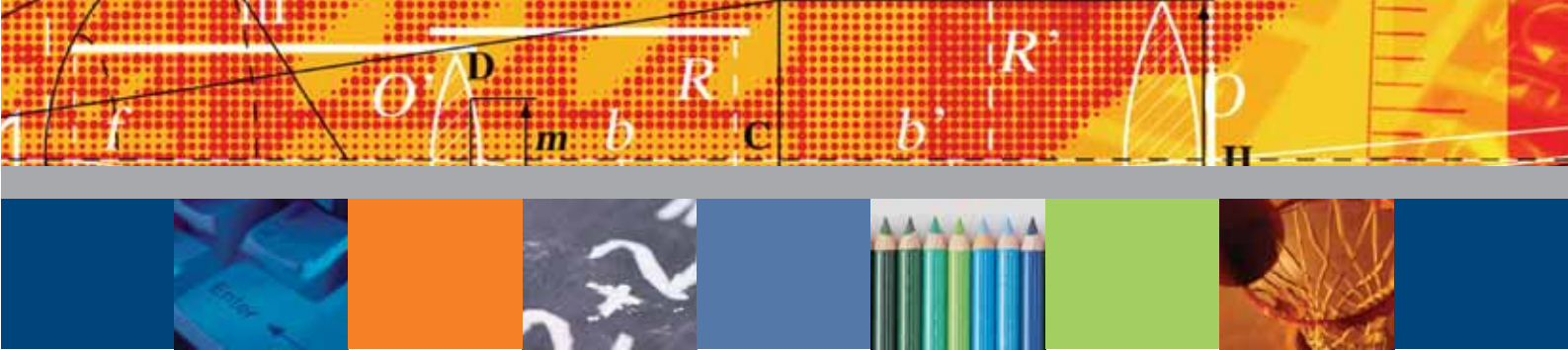
Current Rates		New Rates from 1 July 2007	
\$	%	\$	%
0-6,000	0	0-6,000	0
6,001-25,000	15	6001-30,000	15
25,001-75,000	30	30,001-75,000	30
75,001-150,000	40	75,001-150,000	40
150,001+	45	150,001+	45

SALARY SACRIFICE

If you forego some salary in favour of employer super contributions (Salary Sacrifice), you don't receive that part of your salary as income – so it can't be taxed as income at the rates shown in the table above.

Instead, Salary Sacrifice contributions paid by an employer on your behalf are taxed at a rate of only 15% – regardless of how much income you earn. That tax is paid by the superannuation fund and is deducted from the Salary Sacrifice contributions paid to your account in the Fund.

If you earn \$30,000 a year or less, there is little to be gained by making Salary Sacrifice contributions because those contributions will be taxed at the same rate as your income ie. at 15%.



However, if you earn between \$30,000 and \$75,000 a year, any contributions made by Salary Sacrifice will be taxed at a rate which is at **least** half the rate which applies to the income you earn (and it's an even better deal for higher income earners).

This means that, if you take the 1 July tax cut as a Salary Sacrifice contribution, then:

- **instead of getting extra take-home pay of \$14.42 a week (\$750 a year);**
- **you could increase the contributions being made to your super account by \$21.06 a week (\$1,095 a year) and still have the same take-home pay that you have now!**

See the table below. The column headed "Super" shows the amount of new or extra Salary Sacrifice contributions you could make after 1 July and still have the same take-home pay that you have now.

Taxable Income \$	Tax Before 1/7/07 \$	From 1/7/07		
		New Tax \$	Extra	
			Pay \$	Super \$
30,000	4,710	3,960	750	1,095
40,000	7,860	7,110	750	1,095
50,000	11,010	10,260	750	1,095
60,000	14,160	13,410	750	1,095
70,000	17,310	16,560	750	1,095
80,000	20,960	20,210	750	1,282
90,000	25,110	24,360	750	1,282
100,000	29,260	28,510	750	1,282
110,000	33,410	32,660	750	1,282
120,000	37,560	36,810	750	1,282
130,000	41,710	40,960	750	1,282
160,000	54,660	53,910	750	1,400
180,000	63,960	63,210	750	1,400

WATCH THOSE SUPER SAVINGS GROW

An extra \$14.42 a week in take-home pay will soon disappear and you'll have little to show for it.

However, an extra \$21.06 a week in Salary Sacrifice contributions (\$1,095 a year) could make a significant difference to your retirement savings.

Look at how it would grow at rates of return of, say, 8% and 10% pa over the period remaining to retirement:

	8%	10%
10 Years	\$ 14,120	\$ 15,920
20 Years	\$ 45,660	\$ 58,880
30 Years	\$115,660	\$175,290
35 Years	\$178,000	\$294,400

These figures are based upon Salary Sacrifice contributions of \$21.06 a week being contributed on a monthly basis over the periods shown. Tax of 15% has been deducted from the contributions.

The resulting benefits would be payable tax-free upon retirement at or after age 60 whether paid to you as a lump sum or as an income stream.

HOW DO I ARRANGE TO CONTRIBUTE THE TAX CUT BY SALARY SACRIFICE?

Talk to your pay office about making Salary Sacrifice contributions (or additional Salary Sacrifice contributions) of \$91.25 a month (\$1,095 a year) from 1 July. They should be able to arrange for the contributions to commence from then.

When we receive the contributions each month, we will credit them to your Fund account with the normal employer contributions and any other contributions already being paid for you.

SOMETHING EXTRA

If your total income is less than \$58,000 for the year commencing 1 July 2007, you will also be eligible for a Government co-contribution if you can find a little extra to contribute from **after-tax** salary (or from other savings you already have).

For example, let's say you currently earn \$50,000 a year (after allowing for any Salary Sacrifice contributions you might already make). You decide to salary sacrifice the 1 July tax cut so your salary for the new financial year will now be \$48,905 (\$50,000 less the \$1,095 Salary Sacrifice contribution). However, you also arrange with the pay office to deduct an extra \$5 a week from your **after-tax** salary and send it to the Fund as a member contribution.

Your current take-home pay would reduce by only \$5 a week but you would then be making both Salary Sacrifice contributions of \$21.06 a week and after-tax contributions of \$5 a week and, at the end of the year, the Government would contribute a further \$390 to your Fund account tax-free. See our website for more details of the Government co-contribution (Newsletter Vol. 32).

WHAT IF I EARN LESS THAN \$30,000 A YEAR?

As already mentioned, the 15% tax rate will apply to all income you earn between \$6,001 and \$30,000 for the year commencing 1 July 2007.

Accordingly, there is little to be gained by making Salary Sacrifice contributions if you earn less than \$30,000 a year because those contributions are also taxed at 15%.

However, contributions you make from **after-tax** salary will count towards a Government co-contribution if you earn 10% or more of your income from employment (and have not attained age 71).

For example, if your total income for the year commencing 1 July 2007 will be \$28,000 or less (including reportable fringe benefits), any contributions you make up to \$1,000 a year from your salary **after tax has been deducted** would make you eligible for a Government co-contribution. That's a Government guaranteed 150% return on your contribution with no contributions tax payable!

So – it's time to get your skates on. Talk to your pay office about getting some real long term value out of the tax cut and do it now so that it starts from 1 July.

If you have any questions about how to take advantage of this great opportunity, please don't hesitate to ring us on (03) 9691 2900.

ANOTHER BUDGET BONUS

For those who made after-tax contributions for the year ended 30 June **2006** and received a Government co-contribution for that year, the Government has announced that it will double its co-contribution **for that year**.

For example, if your total income for the year ended 30 June 2006 was, say, \$45,000 and you received a co-contribution of \$650 for that year, the Government will pay a further \$650 into your account this month (although we suspect that some payments may take a little longer to be processed by the Tax Office).

Sorry to disappoint those who thought that last month's Budget announcement was for the co-contribution this year and for the future. This doubling of the Government co-contribution has been announced as a one-time bonus just for 2006.

However, who knows, the Government may feel generous next May and announce a similar bonus for the year ending 30 June 2007.

MEMBER INVESTMENT OPTIONS – UNIT PRICES

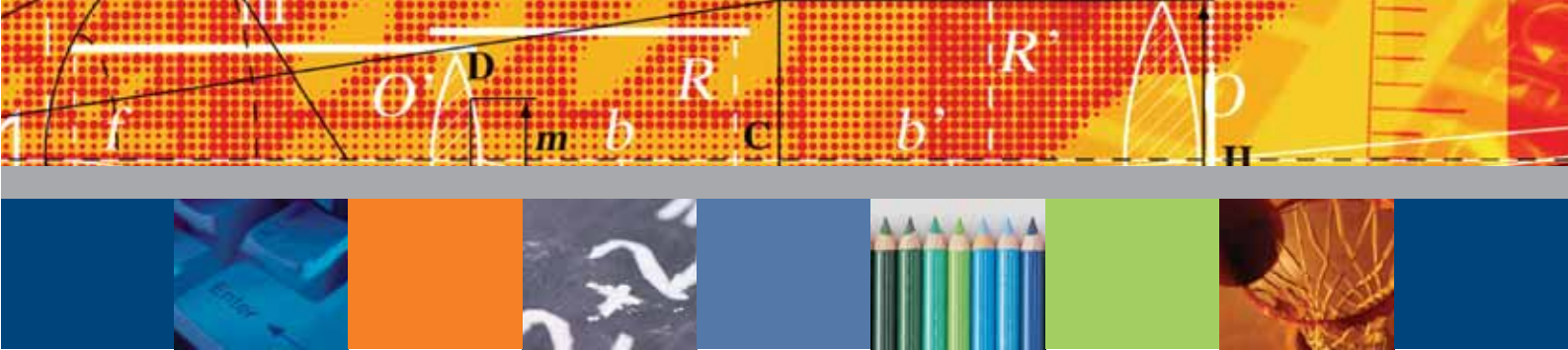
The following are the respective Unit Prices and returns for each Investment Option as at 31 May 2007.

Investment Option	Unit Price 31 May 2007 \$	Returns – Increase (decrease)	
		Year to 31 May 2007 %	3 years to 31 May 2007 %
Australian Shares	3.21938	28.90	25.02
International Shares	1.20804	13.37	10.88
Fixed Interest	1.54468	6.12	6.29
Property	2.19230	14.06	11.95
Growth (80/20) Option available since 1 July 2005	1.37929	18.90	N/A
Balanced (70/30)	2.02434	16.08	15.19
Capital Stable (30/70)	1.71405	10.45	9.56
SRI* (74/26)	1.91448	19.62	16.94
Cash	1.42148	5.43	4.85

*The Sustainable Responsible Investment (SRI) option follows a balanced approach to investment and, with effect from 1 April 2006, replaced the former Ethical Shares option which had operated on a 100% allocation to shares.

The unit prices for Combined Fund Allocated pensions will be higher than those shown above due to the more preferential tax treatment of pension investments.

See our website www.combinedfund.com.au for more details.



HOW DOES THE INDEX COMPETITION WORK?

The changing value of the Australian stockmarket is measured daily using a range of indexes.

The most commonly used index is the All Ordinaries Index which is a measure of the market value of the 500 largest companies listed on the Australian Stock Exchange. Market value is simply the number of shares issued by a company multiplied by the share price of that company.

The All Ordinaries Index was established at the end of December 1979 with a base value of 500. At 31 May 2007, the All Ords had grown to 6341 (more than 12 times its value 28 years ago).

However, investment managers who operate Australian share funds generally invest in the largest 200 or 300 companies and usually measure their own performance against the S&P/ASX 200 Index or the S&P/ASX 300 Index (Standard + Poors is the company which measures the change in value of the largest 200 and 300 companies respectively on the Australian Stock Exchange).

For example, the S&P/ASX 300 Index at 31 May 2007 was 6332.3. At 31 December 2006, it was 5676.5. This means that the top 300 Australian stocks grew in value by 11.5% for the 5 months to 31 May 2007.

Our Index competition simply asks you to predict what the S&P/ASX 300 Index will be on a given date. Here's a tip – out of almost 10,000 members, we usually receive less than 25 entries for each competition. With odds like that, you have a pretty good chance of winning. After all, your guess is as good as anybody else's. Why not have a go then? Details of the next competition follow.

Index Competition

The winner of our last "Pick the Index" competition was Grace Nhim from Ozford College. Grace's prediction was closest to the S&P/ASX300 Index of 6332.3 as at 31 May 2007.

Predictions varied from a low of 5819.7 up to a high of 6531.7.

What do you think will happen to the Australian sharemarket between now and 31 August 2007?

To predict the index as at 31 August 2007, complete the details below and fax this page by 31 July 2007 to the Fund Administrator on (03) 9640 0787.

Combined Fund S&P/ASX300 Index Competition

Name: _____

Employer: _____

Phone: _____

My estimate of the S&P/ASX 300 Index as at 31 August 2007 is:

The winner will receive a voucher for "Dinner for Two" at a 5 star Restaurant of their choice and a one-year subscription to the Australian Financial Review's "Smart Investor" magazine.

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