

Intelligent Investing

Quarterly Investment Review

CEO's ADDRESS

Bubble and squeak

The Australian Financial Review ran an interesting feature in its 17 October edition, commenting on the recent events in global markets and, in particular, whether the “stockmarket boom” of recent years was coming to a messy end in the wake of the US sub-prime housing issues. The article made mention of rising asset prices, and of a “bubble” that might be ready to burst. It also mentioned the recent high levels of volatility in markets – the “squeaks” that markets often make when doubts are cast over their future direction.

The great historical financial crises, from 1622 to recent times, were chronicled in all their notoriety. The author took some delight in quoting the words of Sir Isaac Newton – the great inventor who had himself fallen foul of markets, losing £20,000 in the South Sea Bubble of 1720.

After losing what was then a large amount of money when the South Sea Company failed in the eighteenth century, Newton deftly touched on his own frustrations with investing when he coined the words:

“I can calculate the movement of the stars, but not the madness of men.”

When it becomes obvious that even a genius like Newton cannot predict the vagaries of markets, nor the propensity for people to act irrationally from time to time when investing, it serves as a timely reminder that constantly striving for consistent, conservative performance stands an investor in good stead.

That’s why Western Pacific has always subscribed to the theory of “Intelligent Investing”. It’s worth reminding ourselves of the underlying principles that guide our hand when we are seeking to deliver consistent performance for our clients through the application of “Intelligent Investing” – the words we coined to describe our guiding principles in managing investment portfolios on behalf of you, the client. And it’s not only our clients’ portfolios that benefit from these guiding principles. As we have said in the past, we manage and invest our clients’ money where we would be happy to invest our own funds so that the principles of “Intelligent Investing” are applied not only to your portfolios but also to our own money alongside you.

At the heart of “Intelligent Investing” are our twin objectives of:

1. Minimising the risk of medium term (3 years + for a Balanced investor) loss of capital; and then, and only then;
2. Providing a reasonable level of investment return in view of a client’s risk profile.

So not only are we striving to invest in asset classes that we think will provide reasonable returns with minimal risk, we are also looking to choose the best managers within those asset classes who follow a similar investment philosophy to ours. That philosophy is based on a style of investing known as “value investing”. Value investing, quite simply, seeks to purchase investments that are selling at a discount to their intrinsic value (i.e. what the investment is actually worth), with the size of that discount providing a margin of safety. Over time, the price of the investment and its intrinsic value should narrow, or ideally meet, at which point the investment will be sold. This style of investing is all about identifying “undervalued investments”, buying them at an appropriate margin of safety and waiting until the price and value gap narrow. “Intelligent Investing” also means that when values are unattractively high, Western Pacific will hold higher levels of cash than normal. This was well evidenced by the Officium Income Fund (one of the more defensive Funds in the WP Advised Portfolios) placing over 20% of the portfolio in term deposits during July on the back of the credit crisis in the global economy.

With question marks over whether a bubble exists and in light of recent volatile markets, now, more than ever, the principles of “Intelligent Investing” go a long way to avoiding the “madness of men”.

TONY McDONALD CEO

Snowball Group Limited
(incorporating Western Pacific Financial Group)

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“Knowledge is the antidote to fear”

Ralph Waldo Emerson

Economic Overview

In late July, weakness in the sub-prime mortgage market triggered a global credit crunch which saw equity markets fall, credit spreads widen and asset volatility surge higher. Whilst equity markets have largely recovered, the impact from the sub-prime mortgage debacle continues to be felt. Global mergers and acquisitions were also affected, with the volume of deals falling dramatically in the third quarter by 42%.

Commodities fared better (after an initial slump), recording their biggest monthly gain in 32 years, led by wheat, crude oil and gold. Wheat climbed to a record high in September amid a global grain shortfall, boosting corn and soybeans. Wheat prices have risen 59% since 1 July.

Australia

In Australia, consumer sentiment rose 4.2% in September, as steady interest rates, a modest fall in petrol prices, and continuing good news in the labour market and the broader economy are seemingly offsetting any concerns emanating from global financial markets. Retail sales were also positive, posting an increase in August of 0.7%. The unemployment rate held steady at 4.3%, while the participation rate rose slightly to 65.1% (from 65.0% previously).

HIA New Home Sales showed an 8.6% fall in August to 7,712, the lowest seen since January. Detached home sales fell 8.9% and apartment sales declined 6.8%. Leading indicators, such as new home sales, continue to threaten further deterioration in housing activity.

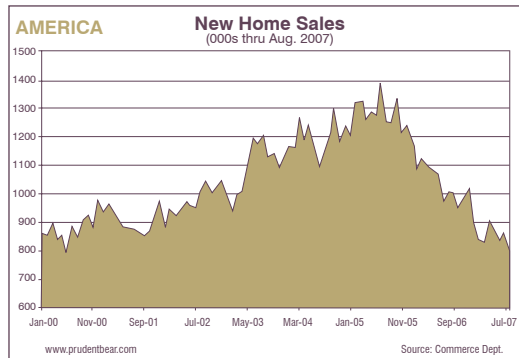
The trade deficit widened to \$1.6 billion in August after a temporary narrowing in July. Imports climbed 5.5% in the month, in part boosted by the fall in the Australian Dollar. Exports increased 1.8%, driven by rising sales of fuels, coal and metal ores.

The Reserve Bank of Australia left interest rates unchanged at 6.50% on 3 October.

United States

America continues to show signs of a deflating housing market, with new home sales dropping by 8.3% in August (see the following graph). Building permits also fell, down by 5.9%, and housing starts declined 2.6%. In September, the deterioration in the housing market, combined with the stress seen in financial markets of late, saw consumer confidence fall to the lowest level in almost two years. The Conference Board's Index of Confidence plunged to 99.8, from a revised 105.6 in August. Workers were also less optimistic about job prospects.

Industrial production and retail sales both slowed in August, showing signs of weakness in the economy, rising only marginally, by 0.2% and 0.3%, respectively. However, the unemployment rate held steady at 4.6%. The Federal Reserve cut the Federal Funds rate by 0.50% to 4.75% on 18 September.



Euro Zone

The PMI Manufacturing Index declined to 53.2 in September from 54.3 in August, following the collapse of the US sub-prime mortgage market. This boosted credit costs, and the appreciating Euro also increased borrowing costs.

In September, the Economic Confidence Index dropped to a 16 month low of 107.1, and consumer confidence fell to -5, down from -4 in August. However, the unemployment rate in the Euro-Zone remained stable at 6.9% in August and fell in Germany to 8.8%, the lowest level in 14 years.

The European Central Bank left interest rates at 4.00% on 4 October.

Japan

Japan's August trade surplus widened to 743.2 billion Yen (AUD\$6.5 billion), as car and steel shipments jumped, and import growth slowed, with exports rising at more than twice the pace of imports. Industrial production surged at the fastest pace in almost four years, increasing 3.4% in August. The Tankan Survey showed business confidence near a two year high as the index held steady at 23 in the third quarter (a positive number means that optimists outnumber pessimists).

Retail sales rose for the first time in three months as demand for clothing and autos increased; sales rose 3.9% in August. Household spending also rose, up 1.6% year on year in August, from being down 0.1% year on year in July. However the jobless rate increased to 3.8% in August from 3.6%.

The Bank of Japan left interest rates unchanged at 0.5% on 19 September.

China

The Chinese trade surplus widened 33% year on year in August to US\$24.97 billion, near record highs. Year on year, exports gained 22.7% and imports climbed 20.1%. Profits at Chinese industrial companies continue to increase, rising 37% in the first eight months from the previous year. Retail sales also increased at the fastest pace in more than three years.

Market Overview

What goes around, comes around...

If you went on holidays on 30 June 2007 and returned on 30 September 2007, you would think that share markets in Australia and globally had continued their happily rising trend. You would be wrong.

History will show that the September quarter 2007 was one of the more volatile in recent memory in share markets. Further, it was even more volatile in fixed interest markets. We have not been immune to that volatility – in fact, and somewhat surprisingly, we have probably been more negatively impacted by it in the short term than most investors – our average Balanced portfolio fell around 0.5% for the quarter. We will take some time to explain why this occurred and why we believe that despite an average quarter we are well placed to provide reasonable results going forward.

So, what happened?

In February 2007, fears started to develop in relation to sub-prime loans made in the US market. “Sub-prime” refers to mortgage loans made to people with less than stellar credit histories and/or abilities to pay back their loans. Not unsurprisingly, these borrowers started to default on their loans, in ever increasing numbers as: (a) US interest rates started to rise; and (b) US property prices started to fall.

This would not have been a problem in the past; however, more recently, more and more debt had been taken on in the US (and globally) and these sub-prime borrowers came to represent a bigger and bigger proportion of the mortgage market. For instance, in 2006 it would now appear that between 20% and 25% of all new mortgage debt taken on in the US was of a sub-prime nature.

This in itself would have been unfortunate for both the lenders and borrowers involved. However, it would not have imperilled the global financial system, were it not for “modern” or “structured” finance. Simply, in the “old” days houses would have been repossessed: banks would have sold them into the market, taken a loss, mended their ways and spent several years rebuilding their balance sheets. Not any more.

One of the features of the “boom” in financial markets starting in 1982, but in particular since 2003 or so, has been the “disintermediation” of risk. What does this mean? Simply, risk was previously in the hands of the actual lenders of the money i.e. the banks. This provided a strong incentive for banks to lend prudently; they didn’t always do it, they did sometimes

lend recklessly, but when they “stuffed up” they bore the brunt of the losses. More recently, banks have “securitised” their assets – which simply (and to not make this Market Overview too long) means that they packaged their loans into bite-sized pieces and sold them to external investors depending on their differing risk and return requirements (i.e. low risk/low return for some, higher risk/higher return for others). This was smart, this was clever. Theoretically, it should have matched up investors with borrowers well.

Unfortunately, as is usually the case, in practice some issuers became far too smart and far too clever, and an unfortunate form of Gresham’s Law took over – bad securitisation issues began displacing good issues.

What were the main problems? Leverage and greed.

These securitisation structures became more and more leveraged, where there was less and less capital backing them and the underlying assets became of lower and lower quality i.e. sub-prime loans. Further, the limited capital that ended up actually backing these structures was in the hands, in a lot of cases, of entities that were themselves highly geared.

With hindsight, the outcome was inevitable. Losses on sub-prime loans started to increase as: (a) market interest rates rose; (b) house prices stagnated or fell (and accordingly people were less able to refinance); and (c) delinquency and default rates rose. This started developing as a major problem in February 2007. It has increased in severity virtually every month since then; however, the “market” became aware of severe problems in June 2007. This was when some “hedge” funds run by Wall Street investment bank Bear Stearns Co Inc. were forced, due to redemptions, to sell some of their assets. They had invested into securitised structures related to sub-prime loans called Collateralised Debt Obligations (CDOs, aka toxic waste). These CDOs were offered for sale on Wall Street and... no-one was interested in buying them. This caused some major problems because some of Wall Street’s biggest banks, Goldman Sachs, JP Morgan Chase and Citigroup amongst them had lent money to the Bear Stearns funds and were now panicking about getting their money back.

From that point on, we have basically had an old fashioned bank run... But this time, because the assets had been securitised and invested into by innumerable investors globally, no-one really knew where the risks were. That was until the announcements started being made.

Market Overview cont.

Firstly the Bear Stearns funds, then people started panicking about CDOs that were not related to sub-prime loans or indeed to any mortgage backed securities. This was the point of contagion – the stresses in sub-prime investments were rapidly spreading to other fixed interest assets, even those that were not at any immediate risk of default. It even started to hit share markets in mid August, with global share markets (including Australia) falling heavily.

Without overstating matters – August 2007 had the highest level of panic we have seen in markets since, at least, 1998 (Long Term Capital Management crisis) but more likely back to 1987. As in all previous crises, the “solution” that the powers that be (namely central banks) decided upon was to pump more liquidity/money into the global financial system.

Globally, central banks have from July through September created, and then pumped into the global banking system, in excess of \$500 billion. Further, the US Federal Reserve reduced interest rates. Collectively, these actions have on the surface calmed equities markets. From the “dark” days of mid August, globally, share markets have rebounded strongly and in the case of Australia, amazingly.

However, the actions of these central banks have: (a) not fixed credit markets (in fact after some short term improvement, some sectors have recently been reaching new lows); and (b) the “intervention” in markets has both forestalled the inevitable (i.e. losses being realised), and, most significantly, their actions have sent the financial world down an unavoidable path of high inflation.

As we have been predicting for some time, volatility has returned and with a vengeance. Future returns will be more difficult to come by (despite what Australian share market investors/commentators may have you believe), risks are high and are increasing, and we will have to deal with levels of inflation that we have not experienced in a generation or two...

So how are we placed to provide reasonable results despite rising inflation, potential high risks and an over-inflated share market? We have a reasonable amount of exposure to gold across the portfolios, either directly through the Select Gold Fund, or indirectly through Resolute Mining Limited which is an attractive hedge against inflation. We are cautiously positioned, with a high level of cash in the portfolios. And finally, we are well diversified; we don't rely purely on the Australian share market to achieve our returns. There are many asset classes including cash, fixed interest, property, alternatives (including gold and other commodities), and equities driving your portfolios.

While this diversification does not necessarily work every day, week, month or even quarter, our experience is that over a full year this diversification (and the hedge it hopefully provides) assists us in achieving our goal of providing you with conservative performance.

There is a Chinese saying (more of a curse); May you live in interesting time. We certainly do and believe the best way to ensure that does not become a curse is to diversify (and we don't just mean owning BHP and RIO!) your investments intelligently, which is what we will do for you.

Stock Watch

Multiplex European Property Fund

The Multiplex European Property Fund has recently listed on the Australian Stock Exchange under the ASX code MUE. Multiplex Capital is a well established property manager and investor with over \$6.7 billion funds under management.

The Multiplex European Property Fund is currently invested in 67 properties located across Germany. The properties are diversified by asset class, tenant and geographical location. Germany was identified as the foundation market for the Multiplex European Property Fund as it is the third largest economy in the world and economic conditions have improved over the last few years. The Fund intends to further diversify its portfolio across the European region as opportunities present.

Over 90% of the properties in the Fund's portfolio were constructed or redeveloped in the last ten years, and Multiplex Capital expect there to be few capital expenditure requirements. Multiplex Capital also rate the tenants within the properties as being of good quality with over 75% of the rental income for the properties generated by national tenants, such as Germany's largest supermarket chain operator, EDEKA (further information on the tenants within the Fund is included in the table below). The portfolio has a long lease expiry, with a weighted average of 9.8 years (by income), and an occupancy rate of 98.4%.

Whilst Multiplex Capital is an Australian based company, it has its own management team in London and an alliance in Germany, Scheven Property Group, which enables Multiplex Capital to manage the properties appropriately and also select further European properties to invest in.

As the Multiplex European Property Fund is investing in assets and income denominated in a foreign currency, the Fund has entered into hedges to protect investors from adverse movements between the Australian dollar and the Euro. The hedges cover 100% of invested equity and approximately 95% of the Fund's initial expected net property cash flows until 15 April 2014.

The Multiplex European Property Fund intends to pay distributions on a quarterly basis and has forecast the following cash distributions (which include both income and capital):

- 8.5% (annualised) from listing on the ASX to 30 June 2008
- 8.7% for the financial year ending 30 June 2009

Multiplex Capital expect the distributions to be 65% tax deferred for the 30 June 2008 distributions and 69% tax

deferred for the June 2009 financial year distributions. The Fund will pay its first distribution in October of 2.235 cents per share.

The Multiplex European Property Fund is currently on the Western Pacific Approved List for property investments and is also in the portfolio of the Officium Property Fund. For further information about this Stock Watch or the Officium Property Fund please speak to your financial adviser.

Tenant	Rental Income (%)	Business Description
EDEKA Retail - Supermarkets	27.4%	The EDEKA Group is the largest German supermarket corporation, currently holding a market share of 26%. There are approximately 4,100 stores with the EDEKA brand that range from small corner stores to hypermarkets. The EDEKA Group is rapidly expanding with 2005 turnover up 20.6% on 2004 to €38.1 billion.
Phönix AG Nursing Homes	8.5%	Phönix (Senioren- und Pflegezentren) currently operate 15 senior and care centres offering 1,950 care places throughout Germany. Established more than a decade ago, Phönix is an independent privately owned and operated group that combines real estate amongst its diverse activities.
Hornbach Retail – Home Improvement Centre	5.9%	Hornbach is a German publicly listed company and leading supplier of home improvement products and materials, supplying both retail and trade customers. Sales for 2005/6 were up 6.6% to €2.37 billion.
Kursana Nursing Homes	5.1%	Kursana is Germany's foremost nursing home operator. It is owned by the Dussmann Group, Europe's largest facilities management and service provider, with 50,500 employees across 28 countries. Turnover in 2005 was up 5.3% to €1.06 billion. Kursana operates two of the nursing home assets.
TNT Logistics	4.5%	TNT is one of the world's foremost providers of global mail and parcel delivery services. TNT operates in more than 200 countries and employs around 127,000 people. In the first nine months of 2006, TNT reported €7.3 billion in revenues. TNT is publicly listed on the stock exchanges of Amsterdam and New York.
German Government Offices	4.1%	State of Nord Rhine - Westphalia

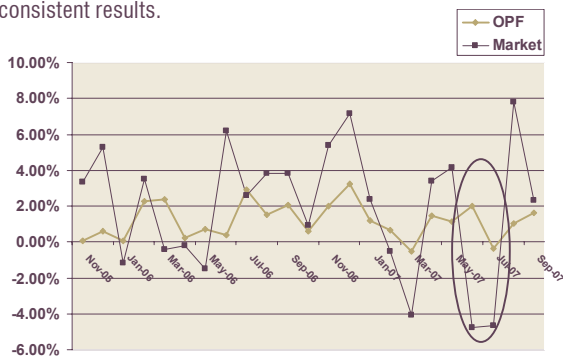
Managed Fund Watch

Officium Property Fund

In November 2005, Officium Capital released the Officium Property Fund to investors and since inception the Fund has grown to over \$50 million in funds under management. The Officium Property Fund combines a quality range of experienced property managers and properties to provide investors with a diversified exposure to the property market.

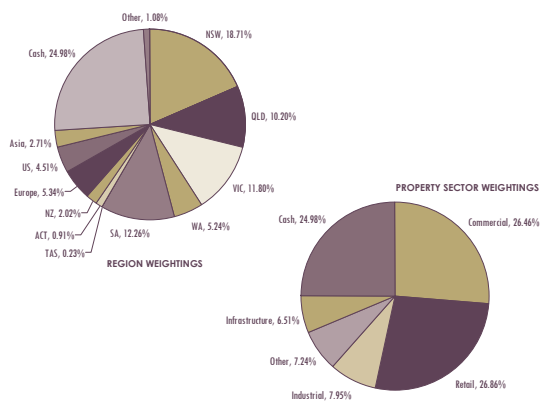
The Fund invests in a range of property assets, including listed and unlisted property trusts providing investors access to quality properties, such as IKEA Adelaide and Perth. The Officium Property Fund's approach to investing utilises a fund of funds approach which means that the Fund is well diversified across sector, manager and region. Similar to all of the Officium Capital managed funds, the Officium Property Fund is conservatively positioned with a higher weighting to the less volatile unlisted property market.

This approach means that it is not highly correlated to the S&P/ASX 300 Property Accumulation Index, i.e. "the market". The graph below illustrates what this can mean in practice. As you can see there was a large negative drawdown in the market's return in July 2007: the S&P/ASX 300 Property Accumulation Index dropped -4.65% for the month. Whereas, the Officium Property Fund only dropped -0.36%. Thus, when "the market" plunges, the Officium Property Fund will not necessarily be as affected, because of its non traditional asset allocation. The aim of this diversification is for the Officium Property Fund to be less affected by movements in the listed property market enabling us to produce more consistent results.



Since inception the Officium Property Fund has returned 15.91% p.a., and has done this with relatively few negative monthly periods, as can be seen in the graph above. At present the Fund has 11 direct investments (a snapshot of these investments is included below), which are then further diversified. For example, the Maxim Property Securities Fund has 23 underlying investments and the Multiplex Acumen Property Fund has exposure to over 2,900 underlying property assets. The graphs below show how the underlying holdings of the Officium Property Fund are well diversified across both sector and region.

The Officium Property Fund is listed on the Western Pacific Approved List and is included in the Western Pacific Recommended Portfolios with a weighting of approximately 10%, dependent on an investor's risk profile. For further information on the Officium Property Fund please contact your financial adviser.



Investment	% of portfolio	Description
Maxim Property Securities Fund	20.21%	Maxim is a Sydney based boutique asset manager, specialising in investments in listed and unlisted property securities and other property related securities. Maxim's primary investment objective is to outperform the S&P/ASX 300 Property Accumulation Index. Maxim Property Securities Fund offers exposure to a varying mix of listed property securities across (but not limited to) the retail, residential, commercial, hotel and industrial sectors. The fund focuses on protecting the downside, whilst still trying to benefit from any potential upside.
BlackRock Merrill Lynch Direct Property Fund	15.04%	This fund aims to provide investors with exposure to a diversified portfolio of direct property investments by selectively acquiring quality investment properties which provide a blend of income and capital growth. The fund currently comprises 19 properties, together with unlisted investments in the Centro Direct Property Fund, the Macquarie Goodman Wholesale Fund, Macquarie Goodman Hong Kong Fund, the Japara Aged Care and Retirement Property Trust, and the GPT Wholesale Office Fund.
LEX Retail Property Trust - Adelaide	8.16%	LEX Retail Property Trust is a single asset unit trust that invested in the Adelaide IKEA building. The property was revalued from \$45.1m to \$49.5m, representing an increase of \$4.4m as at 30 June 2007.
Multiplex Acumen Property Fund	7.09%	The Multiplex Acumen Property Fund trades on the ASX and invests in both listed and unlisted property. The fund holds property investments both domestically and globally and has extensive experience in managing property. Currently the fund trades at a small discount to its Net Tangible Assets of \$1.43.
Mariner Pipeline Income Fund	6.51%	Mariner Pipeline Income Fund holds a single asset: a 1,375km purpose built pipeline, carrying ethane from the Moomba Facility in South Australia to the Qenos Polyethylene Plant in Botany, Sydney. Ethane is transported through the pipeline to the Botany Plant which uses ethane primarily to manufacture polyethylene, a plastic used in the packaging, construction and telecommunications industries. The pipeline has been in operation for ten years and is maintained and operated by Agility Management Pty Ltd (an AGL subsidiary).
FKP Core Plus Fund	4.84%	The FKP Core Plus Fund was created in December 2005 to provide investors with a property investment opportunity offers exposure to core rental properties and participation in property development projects on a joint venture basis with FKP Limited. The Fund aims to provide investors with a 'mid-tier' risk return profile - producing returns significantly higher than core property, but with lower risk than development funds.
Record Realty	4.14%	Record Realty is an ASX-listed investment vehicle which applies structured finance techniques to achieve optimal returns on property and property related investments. Compared with a traditional listed property trust or syndicate, Record Realty seeks to enhance total returns over the medium to longer term by the use of increased leverage combined with structured finance techniques. The portfolio invests in properties substantially committed to government or high quality corporate tenants, with properties in Australia, America and Germany.
Australian Property Growth Fund	4.01%	This Fund is listed on the Bendigo Stock Exchange and was the product of a merger between the Blue Tower Trust and the Leyshon Property Fund No. 3. The Fund's assets include the Blue Tower (Comalco Place), the London Woolstore, and Pavilions on 5th at Palm Beach.
LEX Retail Property Trust - Perth	3.77%	The LEX Property Fund is currently developing a new building in Perth which is being purpose built for another IKEA franchise. Adjacent to this construction, there is a retail showroom and office space also being built.
Multiplex European Property Fund	1.88%	Please refer to this Quarter's Stock Watch for a detailed review of this investment

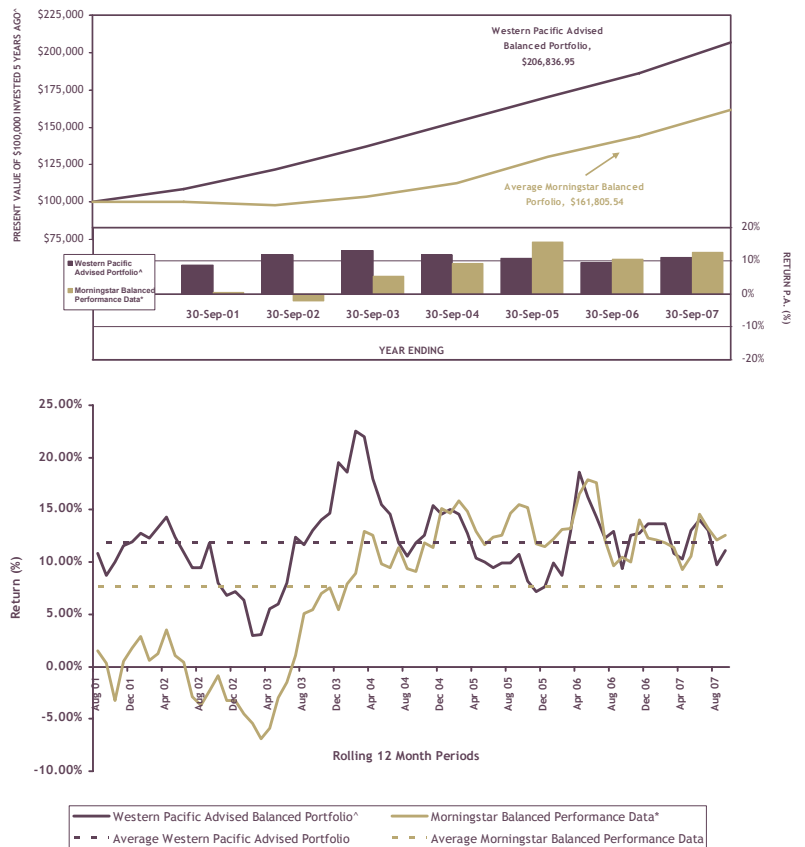
Western Pacific Recommended Portfolios Performance Returns

As at 30 September 2007

Time Period	Western Pacific Advised Balanced Portfolio ^	Morningstar Balanced Performance Data*	Differential to Western Pacific
Oct 2000 - Sept 2001	8.75%	0.30%	8.45%
Oct 2001 - Sept 2002	11.84%	-2.30%	14.14%
Oct 2002 - Sept 2003	13.00%	5.40%	7.60%
Oct 2003 - Sept 2004	11.83%	9.10%	2.73%
Oct 2004 - Sept 2005	10.78%	15.50%	-4.72%
Oct 2005 - Sept 2006	9.37%	10.46%	-1.09%
Oct 2006 - Sept 2007	11.07%	12.55%	-1.48%
7 Year Average Compound Return	10.94%	7.12%	3.82%

Western Pacific Advised Portfolios ^					
Time Period	Cautious	Conservative	Balanced	Assertive	Aggressive
1 Oct 2002 - 30 Sept 2003	*n/a	11.85%	13.00%	14.15%	17.93%
1 Oct 2003 - 30 Sept 2004	10.08%	10.78%	11.83%	12.97%	14.40%
1 Oct 2004 - 30 Sept 2005	9.89%	10.41%	10.78%	11.17%	12.68%
1 Oct 2005 - 30 Sept 2006	8.24%	9.05%	9.37%	9.79%	9.38%
1 Oct 2006 - 30 Sept 2007	8.04%	9.19%	11.07%	12.56%	13.06%
5 Year Average Compound Return**	9.06%	10.25%	11.20%	12.12%	13.46%

*The Cautious Western Pacific Advised Portfolio is only representative of a 4 year compound return, due to unavailability of data.
 **Due to different commencement dates there may be a variance between individual client returns and those outlined above. The 2004, 2005, 2006 & 2007 returns have been calculated by weighting (in accordance with the relevant asset allocation) the actual total returns of the investments which comprise our standard portfolios (as designed by our Chief Investment Officer). From time to time our portfolios are adjusted, and we have time weighted the relevant investments to allow for these adjustments. The 2003, 2002, 2001 & 2000 returns represent the total return for all Western Pacific Financial Group clients, using information provided by Symetry Limited. Returns are calculated net of underlying investment management charges (where applicable), however before tax, administration or adviser fees. No allowance has been made for transaction costs. We have tested the calculated figures against actual client portfolios to confirm the accuracy of the calculations. Past returns are not necessarily, and in fact are unlikely, to be the same as future returns and we would recommend that clients discuss with their adviser the returns Western Pacific reasonably expect in the future.*Morningstar Australian Multisector Trust Balanced Index. Source: Morningstar.
 ^ Gross Investment Return Western Pacific Advised Portfolios via our Main Investment Platform. Returns calculated from information provided by Symetry Ltd



Technical News

Ease Your Way Into Retirement

If you were born before 30 June 1964, there's a way you can access your super before you turn 60 and reduce your overall tax bill.

Pre-retirement pension

Once you reach your preservation age you can access your super via a pre-retirement pension. Here's how. You carry on working and contribute part of your salary to super, where it's typically taxed at 15% rather than at your marginal tax rate. You then move your super money into a tax-free pre-retirement pension and draw a pension to supplement your salary. The 15% pension rebate also reduces your personal income tax.

What's the catch?

Consider using your tax refund to kickstart a regular investment plan. With your refund providing the initial investment amount and by arranging with your employer to direct regular payments into the plan from your salary, you can build a substantial nest egg over time without really missing the money. After all, what you don't see, you don't miss. Talk to your Western Pacific adviser about which type of plan would be the most suitable for your own investment personality and financial goals.

Your preservation age

Under superannuation law you must reach your 'preservation age' before you can access your super. Your preservation age depends on the date you were born.

Date you were born	Your preservation age
Before 1 July 1960	55
1 July 1960 to 30 June 1961	56
1 July 1961 to 30 June 1962	57
1 July 1962 to 30 June 1963	58
1 July 1963 to 30 June 1964	59
After 30 June 1964	60

Case study

Harold has just turned 55. He was working full-time on a salary of \$45,000 but is now part-time on a reduced salary of \$22,500. Apart from his salary, Harold has \$350,000 in super and \$100,000 cash from the recent sale of an investment property.

Harold decides to contribute the \$100,000 cash into super as a personal (un-deducted) contribution. He places the entire \$450,000 into an allocated pension and in the first year draws \$22,500, which includes a tax-free payment of \$5,000. The table shows the impact on Harold's income in the first year.

	Without a pre-retirement pension		With a pre-retirement pension
Hours of work	Full-time	Part-time	Part-time
Pension			\$22,500
Salary	\$45,000	\$22,500	\$22,500
Gross Income	\$45,000	\$22,500	\$45,000
Super rebate			\$2,625
Tax liability	\$8,625	\$2,062	\$4,225
After-tax income	\$36,375	\$20,438	\$40,775

Using this strategy, Harold maintains his pre-tax income, reduces his tax liability and increases his after-tax income. He can also contribute surplus income to super and qualify for a government co-contribution. The down side is that because Harold has started to draw on his retirement savings, he'll have less when he retires.

Disclosure

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