ethical investment SERVICES

Ethically Speaking

Ethical investment services aims to combine investment integrity with superior financial returns by offering clients investment solutions that match their ethical concerns. We value a sustainable future and operate for the long term prosperity of our clients, our company, the environment and the Global Community.

July, 2002

Our Financial Advisers are committed to providing a service that assists clients in achieving their lifestyle goals through wealth accumulation strategies that combine profit with principle.

Janice Carpenter B.A. SIA(aff) AFPA

Michelle Brisbane DFP B.Bus/Fin B.Sc/Chem

Anne-Marie Spagnolo FPA(Aff)

Ethical Investing – a super choice!

"Choice of Super" which will allow employees greater freedom in selecting their super funds has been on the government agenda for some years now. The legislation has not yet been passed and we think that it is time to start putting pressure on your superfund rather than wait for "Choice of Fund" to come through.

Most people have no idea how their super fund invests and their statements come through so infrequently that people generally do not keep track of what the balance is on their fund. We usually have to prompt clients to track down the statements sent to them by the fund and then scrutinize the fine print to find out what choices, if any, are available, and if there is the possibility of switching to a better performing fund. In addition, we should also be looking to see whether the superannuation fund has an ethical or socially responsible option.

As members of any super fund you can in fact already start to have an impact on the investment decision of your super fund trustee. Banding together with your colleagues to lobby your employer for an ethical choice is one way. Alternatively, as individual members you have a right to request disclosure from trustees regarding where your super is actually invested and this can be a starting point for member activism within the current parameters of the industry. Some super funds are already responding to these types of queries by developing their own ethical choices for fear of losing these more inquisitive members. HESTA was the first major super fund to provide a green choice and many of the big industry funds have followed.

In response to a recent report which found that most Australian super funds have an unsatisfactory environmental record, the Australian Conservation Foundation has launched a campaign encouraging members of super funds to approach trustees and request information on where their super is invested.

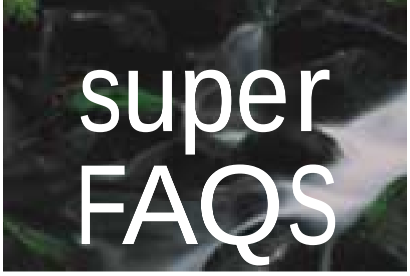
The ACF has also assessed the performance of Australia's top 100 companies on environmental grounds and publishes their findings on line at www.acfonline.org.au. You can use these ratings to check on the environmental performance of companies in your own super fund.

The Wilderness Society have also launched a campaign which is more specifically targeted in that it is asking members to enquire about their super fund's investment in Gunns Ltd. The Tasmanian woodchipping company. For those wanting to get involved in assisting in this campaign, you can download a letter to send to your super fund from the website www.wilderness.org.au. Actions such as this combined with the activism of the Gunns ethical shareholder group represented by Erika Ford, spearhead of the anti Jabiluka campaign, can form quite a dynamic force for change.

> **...although your employer is currently not obliged to give you a choice, any super contributions made by a previous employer can usually be rolled over into a super fund of your choosing.**

Once you have received disclosure of where your funds are invested then where to from there? If you are unhappy with the investment you should ask your trustee if there are any other options available to you ie. do they also have an ethical fund? And the search should not stop there. A super fund labelled as "ethical" may still contain exposure to companies you are not happy with. Once again a financial planner should be able to assist here or you could check the Corporate Monitor ratings. A concerted and targeted effort such as this should at least make trustees sit up and take note of the increasing concern amongst members regarding these issues.

Finally, although your employer is currently not obliged to give you a choice, any super contributions made by a previous employer can usually be rolled over into a super fund of your choosing. As Financial Planners who specialise in this field, we can assist you in identifying an ethical super fund for yourself and implementing rollovers on your behalf.



and the answers you've been looking for…

My superfund balance went backwards this year, how will I have enough to retire on if this continues?

Most superfunds have an exposure to shares and it has not been a good year for any share based investment – whether in super or not. Providing you are not about to retire in the next few years, this should not be a major concern as the nature of the sharemarket is that you should expect some years of negative returns. Over the long term you will be better placed because growth assets such as shares should do better than a "safer" option such as fixed interest. An adviser can help you figure out whether your fund's performance is consistent with the market or adversely impacted on due to some other factor.

I have a few small super accounts from past employers getting eaten away by fees. What should I do?

It's quite easy to rollover all these funds into a fund of your choice. By consolidating your accounts you will take more control of your superannuation, avoid duplication of administrative fees and have one statement to help you track performance.

However, once you have significant savings in super you could possibly consider using more than one Fund or even a Mastertrust to spread your money around and reduce "fund manager risk".

How can I invest ethically if my employer doesn't give me a choice?

You can join an ethical super fund and as you leave one employer and start with the next you can rollover accumulated super into your ethical fund. In effect the ethical super becomes your personal portable account through life and your employer fund is a temporary account whilst you are with that employer.

What happens to superannuation for same sex couples if one of us dies?

The trustee of your superfund has an obligation to the dependants of the deceased. The problem for same sex couples arises from what is considered to be the definition of a "dependant" for superannuation purposes. A same sex partner is not considered a dependant unless you can prove they are financially dependent on you.

If you want to ensure that your partner receives the proceeds from your super, you can in some instances make a "binding nomination", leaving your super to your estate and then leaving your estate to your partner in your will. Binding nominations must be remembered to be updated every three years.

There is a choice of different strategies within my superfund. How do I know which one is right for me?

The appropriate strategy depends on factors such as your age, timeframes, lifestage, lifestyle goals and how comfortable you are with risk. Being in the wrong strategy means you either miss out on the potential for higher returns or are exposed to an inappropriate level of risk. A financial adviser can help you determine the best strategy.

I have lost track of some superfunds from past employers. What can I do?

Contact the Australian Tax Office's Lost Member's Register or try www.findmysuper.com.au

If you would like to learn more about starting your own ethical super fund, please contact a member of staff at Ethical Investment Services.

Tax on Super

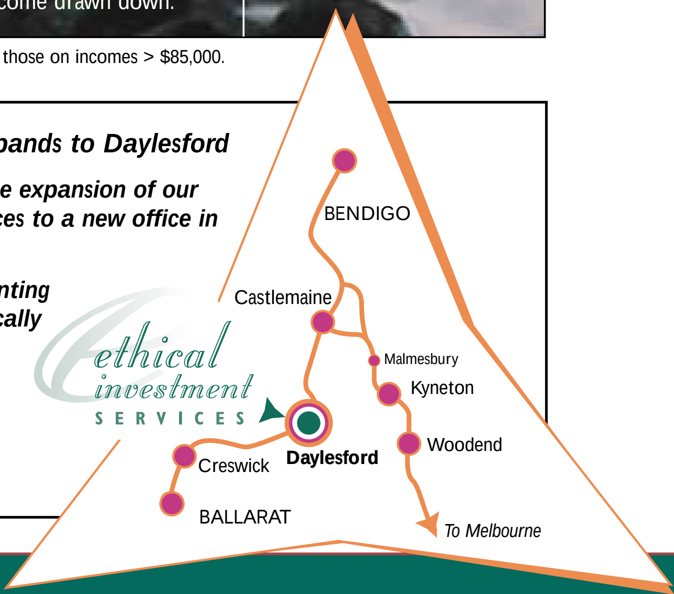
Phases of Super	*Tax on Super*	*Benefits to you*
On the way in	Employer, Self Employed and Salary Sacrifice Contributions taxed at 15%* Personal Contributions are not taxed	Salary Sacrifice and Self Employed Contributions mean you invest your pretax dollars so you end up with a larger amount invested
Whilst it's in there	Earnings within the fund taxed at a maximum of 15%	You may pay less tax compared to earnings outside of super which are taxed at your marginal tax rate which may be anything up to 48.5%
On the way out	An allocated pension for example does not incur any tax on investment earnings and you may be eligible to receive a 15% tax rebate on the income drawn down.	Your retirement income lasts longer compared to generating a retirement income outside of super

*however a tax surcharge exists for those on incomes > $85,000.

Ethical Investment expands to Daylesford

We happily announce the expansion of our Financial Planning Services to a new office in Daylesford.

Anyone in the region wanting to access our services locally can now telephone Michelle Brisbane on (03) 9853 0995 via our Melbourne office to make an appointment.



Why is saving for your retirement important?

» Increased life expectancy means that many of us will spend about 25 years or more in retirement and much of this time will be spent in active pursuit of our hobbies and interests

» With the aging population putting pressure on the Government's ability to provide the age pension, most people agree that they won't be able to (or want to) rely only on the Age Pension

Compulsory superannuation contributions , ie. the "Superannuation Guarantee Charge"(SGC) requires all employers to make super contributions on behalf of all their employees at a rate of 9%. Whether this will be enough to fund your retirement depends upon a variety of factors including time in the workforce, lifestyle and interests. Those of you currently approaching retirement may find that your accounts are relatively low due to the short amount of time in receipt of SGC benefits. It is important for all of us to plan for retirement and it may be risky to take a wait and see approach.

Come and speak to an adviser about boosting your super by taking advantage of some of the following tax effective strategies:

» Salary Sacrifice

Check with your employer to see if you have the option to salary sacrifice into superannuation. This involves investing your wages before tax is taken out and becomes more advantageous the higher your marginal tax rate.

» Spouse Super Contributions

If your partner earns less than $10,800, contributions into their super fund of up to $3,000 attract a tax rebate of 18%. That is, on $3,000 you get back $540 as a rebate at tax time.

» Self Employed

If you are self employed, consider contributing to superannuation. Contributions up to $3,000 p.a. are fully tax deductible. Contributions over $3,000 are 75% tax deductible (up to certain age based limits).

» Invest Personal Contributions

Sometimes it makes sense to invest your own savings into super. They are not taxed on entry and any investment earnings are only taxed at 15% per annum as opposed to being taxed at your marginal tax rate if invested outside of super.

» Don't leave it too late

Many people start thinking about retirement in their 50s and then wish they'd started sooner. Due to the low tax environment and the effect of compounding (which means earning interest on your interest) super may be a tax effective savings vehicle at any age. However beware of preservation which means you won't have access to any of the funds until your retirement.

» Tax effective income in retirement

If you are close to retirement and would like to use your super to create a tax effective income stream, it may make sense to make personal contributions whilst you are still eligible to do so. An adviser can help you figure out if this will be of benefit to you.

» Selling a business?

You may be able to avoid capital gains tax if you invest the proceeds from the sale of a business into superannuation for retirement. Certain conditions must be met and you should see a financial adviser if this applies to you.

We can HELP!

If you want to:
- Join an ethical superfund
- Rollover and consolidate super accounts from past employers
- Ensure your super strategy is in line with your lifestyle goals
- Start your own DIY/ Self Managed Super fund
- Figure out how much you'll have to retire on

We can help you with any of these aims. Call one of our advisers now and we'll show you how.

Fine tune your finances and review your financial plan

If it's been more than 12 months since you spoke to your financial planner or if your circumstances have changed in any way, contact Ethical Investment Services on (03) 9853 0995 today to arrange a review.

We can help you assess the performance of your financial plan and strengthen it for the future.

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ETHICAL INVESTMENT SERVICES PTY LTD
16 PRINCESS STREET KEW 3101
TELEPHONE 03 9853 0995
FACSIMILE 03 9853 5929
email mail@ethicalinvestments.com.au
www.ethicalinvestments.com.au
ABN 38 004 531 800

Financial Planning
Superannuation
Retirement Planning
Portfolio Management
Investment Advice
Ethical Share Advice

Ethical direct news

Ethical Direct is a special service for our clients who would like to invest in shares or have an existing share portfolio that they would like actively and expertly managed. Ethical Direct manages the direct buying and selling of shares through a broker to build an individual portfolio for investors. It is highly recommended for those with DIY/self managed super funds.

Richard Whan, Ethical Direct Portfolio Administrator, is completing his Graduate Diploma in Applied Finance and Investment at the Securities Institute. He reviews clients' investments on an ongoing basis and is committed to identifying great businesses with strong ethical foundations.

Ethical Direct is an ideal service for those of you interested in a DIY superfund. In partnership with you we develop a long term growth based strategy and assist you in selecting a portfolio of shares for your fund. We provide quarterly reviews to you, take care of all the administration and at tax time we prepare a report to assist with your accounting and auditing requirements. Ethical Direct allows you to create wealth for your retirement whilst taking into account your ethical and social preferences.

Give Ethical direction to your DIY Super

Self Managed Super Funds, also known as DIY Super Funds are growing at a rapid rate. There are now more than 220,000 DIY Super Funds in Australia, increasing by about 1,000 every month.

One of the main attractions of any super fund is the low tax environment that the government offers. Not only is tax relief available for super fund contributions, but income earned by investments within the fund is taxed at a maximum of 15%. Another taxation advantage is that capital gains are taxed at a flat rate of 10%. All these benefits combine to help the investments of a super fund compound at a greater rate than if they were held in an ordinary investment vehicle.

When it comes to DIY super funds, further benefits can be achieved by the relative control you yourself have over the underlying investments and the flexibility of investment choices. The tax advantages can be further enhanced by specifically targeting investments for the imputation credits earned on fully franked dividends. By creating your own investment strategy with your financial adviser, you have the ability to direct your retirement savings specifically towards those industries and businesses that you would like to. Your choice of investments can therefore reflect both your financial objectives and ethical concerns.

All these benefits combine to help the investments of a super fund compound at a greater rate than if they were held in an ordinary investment vehicle.

Before deciding to use a DIY Super Fund, you need to be aware that they are supervised by the Australian Taxation Office (ATO) and must meet certain criteria to achieve their concessional tax status:

- There must be no more than four members;
- The fund's investments must meet the'sole-purpose test'. The sole-purpose test attempts to ensure that DIY Super Funds are operated for the sole purpose of providing retirement benefits for members or member's dependants. (The beach house, the classic sports car or the wine cellar are therefore unlikely to be eligible investments for the super fund.)
- The fund cannot borrow for investment purposes, ensuring that members are not exposed to the additional risk which borrowing brings (this can make direct property a rather indigestible investment for small super funds).

As the trustee of your own DIY Super Fund, you are responsible for ensuring that your fund complies with the rules and guidelines imposed by the ATO.

Another thing to remember when considering DIY Super is that superannuation is in fact a vehicle for investment, and not a separate asset class. As such, it should complement your other investments. For example, if you own your own home and have an investment property, then property may not be the best asset class for your super fund to invest in. In this situation it would make more sense to use your super fund to diversify your asset exposure into shares and bonds. Due to ongoing auditing costs and to obtain appropriate diversification within the super fund, it is recommended that you have a minimum of around $250,000.

If you would like to discuss whether a DIY super fund would be suitable for you, please call and ask to speak to one of our advisers at Ethical Investment Services.