

HORIZON
WEALTH MANAGEMENT



Paedpharm
PRODUCTS

The logo for Paedpharm Products features a blue icon of a stylized figure or arrow pointing upwards and to the right, followed by the word "Paedpharm" in a bold, blue, sans-serif font. Below "Paedpharm", the word "PRODUCTS" is written in a smaller, blue, all-caps, sans-serif font. The entire logo is set against a light orange background with a white glow effect.

General Advice Warning

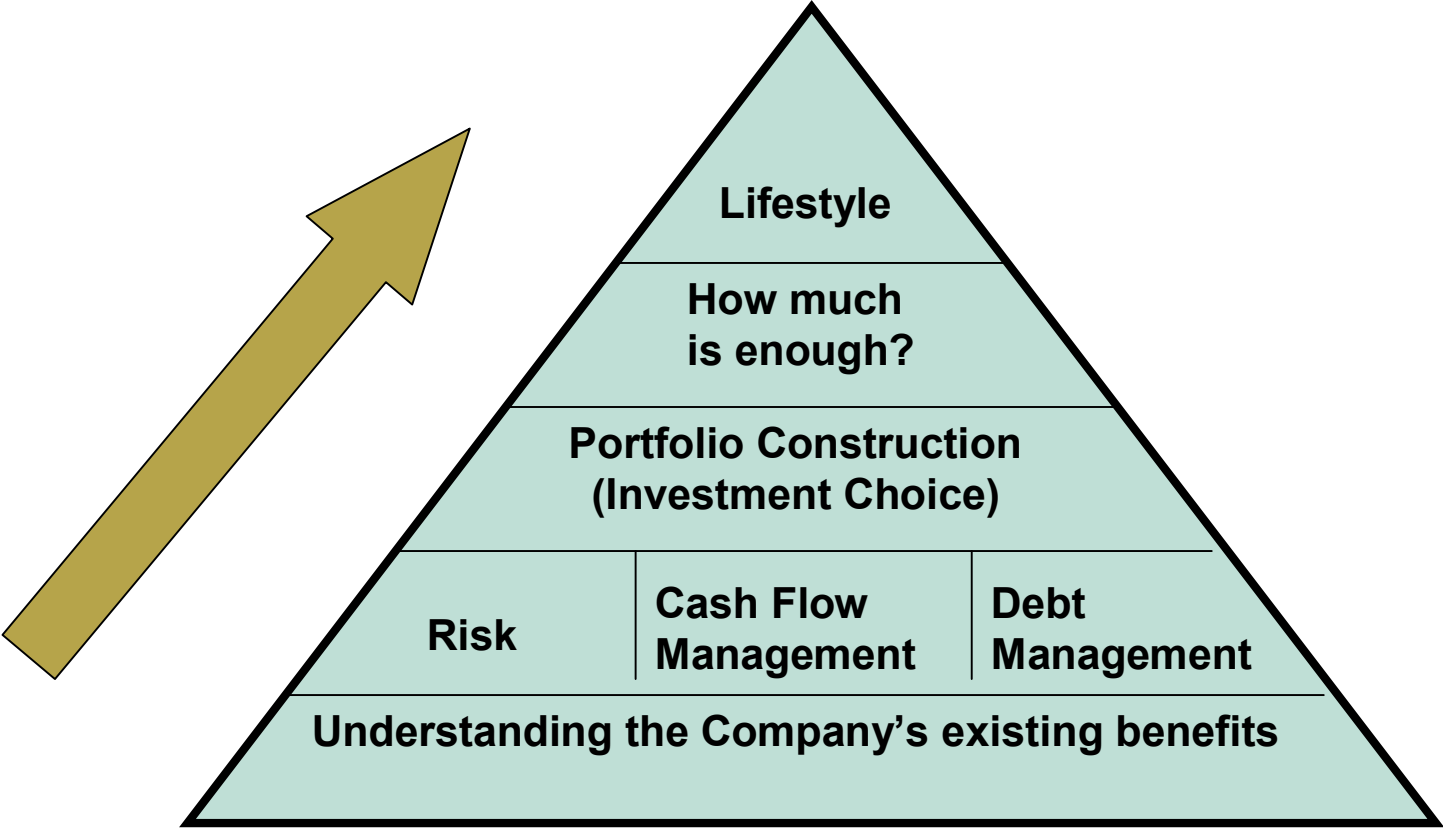
This information was prepared by Horizon Wealth Management. It is of a general nature and does not take into account your personal investment objectives, financial situation or particular needs.

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.

Agenda

1. Your benefits – an update
2. Performance of the Paedpharm Fund
3. Budget update
4. Re-inventing Investment Thinking

Educational seminars for members



What are the components to consider when building a financial plan

1. Asset Ownership – Trusts, Super etc
2. Taxation - Minimise
3. Cash Flow - Maximise
4. Investment strategy
5. Wealth Protection – personal and business

Paedpharm's Company Benefits

Size of the Fund

- Fund Size - \$405,000
- Default Portfolio – First Choice Moderate
- Automatic Acceptance Limit (AAL) - \$250,000 for Death and TPD
- Insurance Design (Death and TPD) – 15% of salary to age 65
- Fees are 1.84% - for most members could be zero or a credit to their account

Death and TPD

- Benefit design is **lesser** of
 - 15% of salary to age 65,
 - **\$250,000**
- It should be noted that you have freedom to elect any level of cover greater than the minimum, **subject to underwriting**.
- **This benefit ensures that one of the most important risks ie risk to assets, is appropriately mitigated**

Death and TPD

- **Example. Member earning \$80,000 aged 35 years**

- 15% of \$80,000 for 30 years = \$360,000.

- AAL is \$250,000

Therefore member will have cover up to \$250,000 without any underwriting required.

- **Example. Member earning \$60,000 aged 40 years**

- 15% of \$60,000 for 25 years = \$225,000.

- AAL is \$250,000.

Therefore member will have cover up to \$225,000 without any underwriting required.

Salary Continuance - Features

- **The Company pays the premiums on behalf of employees**
 - Payout equals 75% of base salary plus super of 9%
 - Benefits to age 65
 - AAL is \$48,000 per annum
 - Waiting period is 90 days
-
- **This benefit ensures that one of the most important risks ie risk to income, is appropriately mitigated**

Salary Continuance - Examples

- Member earning a **base** salary of \$55,000

Payout would equate to 75% of \$55,000 = \$41,250) plus 9% super ie \$4,950 pa or 84% of \$55,000 pa (ie **\$3,850 pm**) to age 65

- Member earning a **base** salary of \$80,000

Payout would equate to 75% of \$80,000 = \$60,000 pa plus 9% super ie \$7,200 pa or 84% of \$80,000 pa (**\$5,600 pm**) to age 65, **if the member had been medically underwritten.**

Alternatively, benefit limited to \$4,000 pm

Why First Choice

- Member service – website and call centre
- Employer service – access to information, STP
- Quality of marketing material and reporting
- Investment Selection
- Nil entry, exit and switching fees on investments
- Other features eg benefits program
- Modern platform built on State of the Art Technology
- Spouse accounts at same investment fee as member

Why stay with the Paedpharm Super Fund

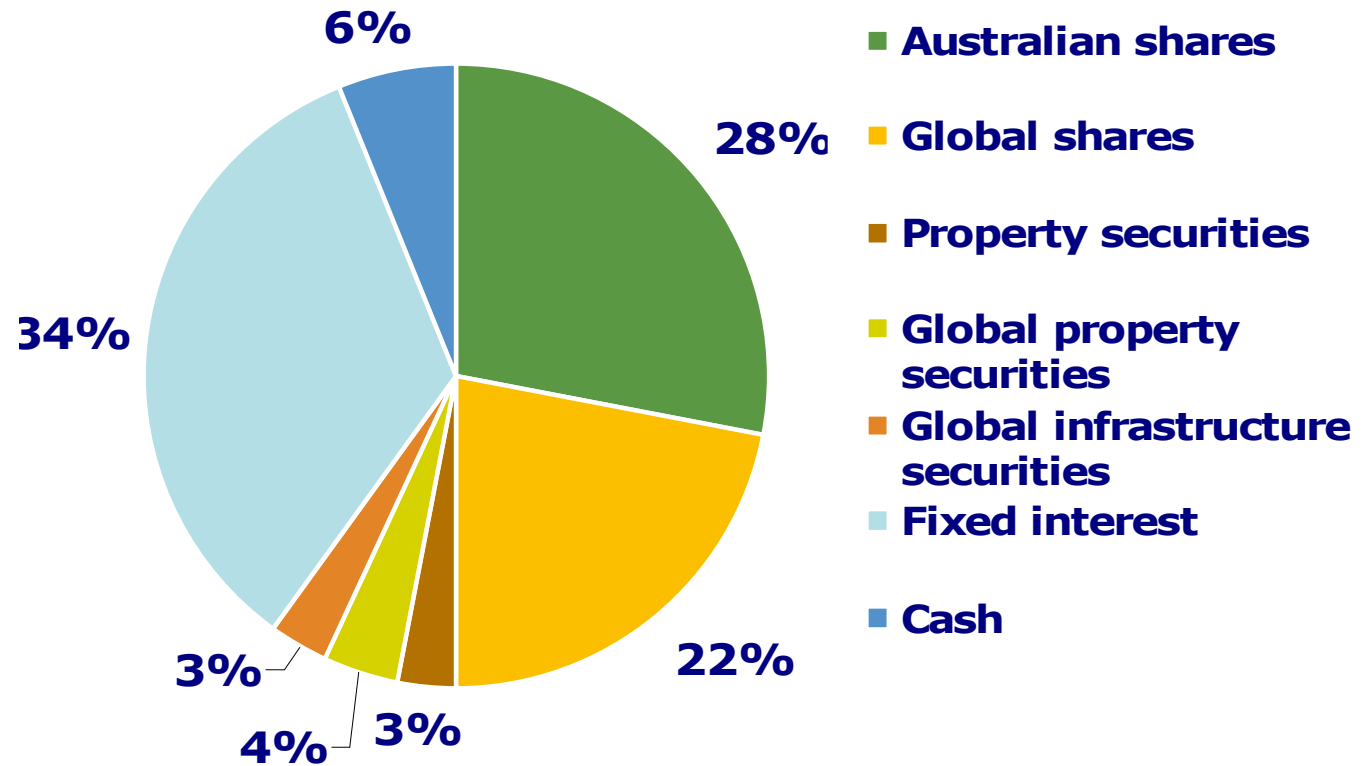
- **Insurance**
 - Rates are less expensive than going it alone
 - Every member gets underwritten in terms of benefit design
 - Difficulty of getting insurance cover
- **Investment Selection**
 - There are approximately 40 selections most of which are NOT managed by Colonial.
- **Fees**
 - The investment fee up to \$300 per member is being paid by Paedpharm. This equates to no fees on a balance of up to \$16,304
 - For a \$50,000 balance the fee would equate to 1.2%.
- **Advice leadership**

Performance of Paedpharm's Default Fund

Asset Allocation

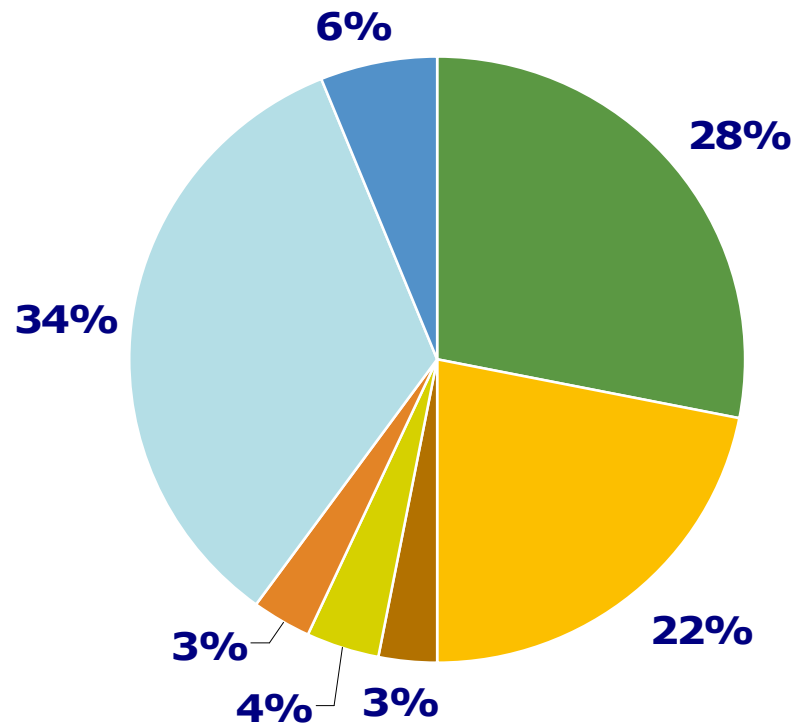
FirstChoice Moderate

Sectors



Investment Managers

FirstChoice Moderate



Managers

 Capital International™	
 ALLIANCEBERNSTEIN	
	
 Schroders	
	

Performance

1 Year returns to 31 July 2007

FirstChoice Employer Super
Annual compound performance (after tax)

Default investment option

FirstChoice Moderate 11.21%

Multi-manager multi-sector investment options

FirstChoice Defensive 4.81%

FirstChoice Conservative 7.54%

FirstChoice Growth 13.81%

FirstChoice High Growth 16.81%

Performance

1 Year returns to 31 July 2007

FirstChoice Employer Super
Annual compound performance (after tax)

Multi-manager single-sector investment options

FirstChoice Property Securities	14.44%
FirstChoice Australian Share	23.63%
FirstChoice Australian Small Companies	37.10%

Budget Update

Themes from the 2006 and 2007 Budget

- Consider saving up to \$50,000 pa pre tax through Super
- For those aged 50 and over- \$100,000 (from 2007/08 to 2011/12)
- Consider saving after tax monies into Super (limit \$150,000 pa or \$450,000 every 3 years but a one off \$1m up to 30 June 2007), subject to considering liquidity within your overall portfolio
- At retirement (after 60 years)
 - Tax free on withdrawal
 - No tax on earnings or CGT within Pension Fund
- **No limit on how much can be saved in Super**
- **Leave money in Super for as long as possible**
- Message from 2007 Budget – co-contribution doubled by Govt for 2005-06 year

Income tax savings

Current – 2006/07		Proposed – 2007/08	
Tax Rate	Threshold	Tax Rate	Threshold
0%	\$0 - \$6,000	0%	\$0 - \$6,000
15%	\$6,001 - \$25,000	15%	\$6,001 - \$30,000
30%	\$25,001 - \$75,000	30%	\$30,001 - \$75,000
40%	\$75,001 - \$150,000	40%	\$75,001 - \$150,000
45%	\$150,001 +	45%	\$150,001 +

Income tax savings (cont.)

Annual taxable income	Tax Saving (annual)
\$26,000	\$150
\$30,000	\$750
\$40,000	\$750
\$45,000	\$750
\$50,000+	\$750

Personal vs. Super

Investment Yield	8%
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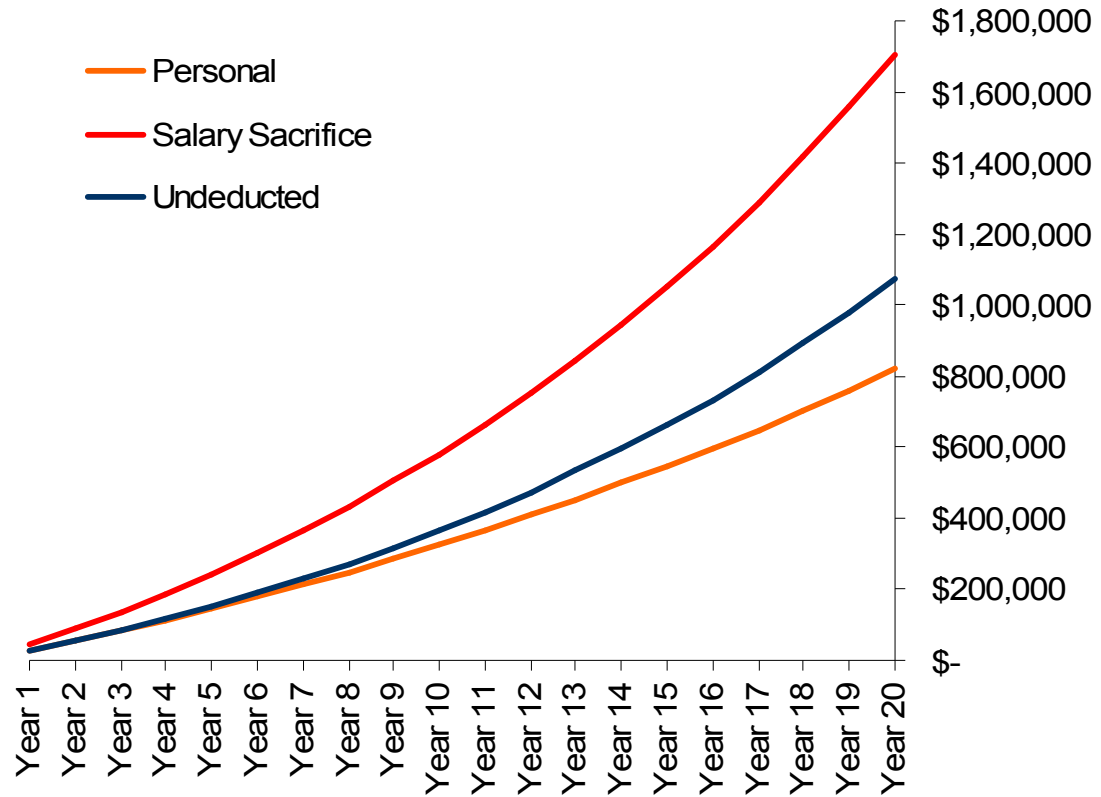
	Personal	Undeducted	Salary Sacrifice
Personal Marginal Tax Rate	46.50%	46.50%	0.00%
Super Contributions Tax			15.00%
Tax on Super Earnings		15.00%	15.00%

Annual Contributions (End of Period)	Personal	Undeducted	Salary Sacrifice
Pre-tax Amount	50,000	50,000	50,000
Income Tax	23,250	23,250	-
Contributions Tax	-	-	7,500
Net Amount	26,750	26,750	42,500

Savings	Personal	Undeducted	Salary Sacrifice
Year 1	26,750	26,750	42,500
Year 2	54,645	55,319	87,890
Year 3	83,734	85,831	136,367
Year 4	114,068	118,417	188,139
Year 5	145,700	153,220	243,433
Year 6	178,686	190,388	302,486
Year 7	213,083	230,085	365,555
Year 8	248,953	272,481	432,913
Year 9	286,358	317,759	504,851
Year 10	325,365	366,117	581,681
Year 11	366,040	417,763	663,736
Year 12	408,457	472,921	751,370
Year 13	452,689	531,829	844,963
Year 14	498,814	594,744	944,920
Year 15	546,913	661,936	1,051,675
Year 16	597,071	733,698	1,165,689
Year 17	649,375	810,340	1,287,455
Year 18	703,919	892,193	1,417,502
Year 19	760,796	979,612	1,556,393
Year 20	820,109	1,072,975	1,704,727

At 7.2%	784,442	996,803	1,583,706
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Personal vs. Super



The magic of Super

- Taxed at 15%, as opposed to maximum marginal rate which could be up to 46.5%. Saving of 31.5%.
- Taxed concessional within the Fund pre retirement – Earnings at 15%, CGT at 10%
- No tax on capital gains or earnings within the fund in pension phase
- Tax Free on withdrawal for over 60's.

Factors affecting Superannuation Balance

- **Amount contributed**
 - 9% contribution
 - 15% contribution tax
 - net **7.65%**, thereafter
 - Death and TPD premiums
 - Net approx 6.95%*

* based on salary of \$50,000 ex super, insurance rates on \$350k for a 40 year old (\$412 pa) and super of \$4,500

- **Investment Selection**
 - and by implication investment return

Research indicates saving rates (contributions) should be approximately 15%.

Re-inventing Investment Thinking

Typical errors made by the average investor

- People trade too much. This is due to over confidence. They overestimate their knowledge and the level of their abilities.
- Men are more overconfident than women. (Single men more than married)
- Overconfident investors under diversify (if you know you are right why hedge your bets?)
- On average individual investors lose while institutional investors gain

Typical errors made by the average investor

- When people succeed they give themselves too much credit for the success. Failures, on the other hand are blamed on others and misfortune.
- Cognitive bias eg illusion of knowledge. As people acquire more information, their confidence in their ability to predict outcomes rises faster than the accuracy of their predictions. They thus confuse skill with luck.
- People think that their personal involvement can favourably influence the outcomes of random events.

Brad Barber (Prof of Finance at University of California)

The average stock fund investor achieved a 3.51% return for the period 1984-2003 - versus the S&P 500 return of 12.98% for the same period.

Research firm Dalbar

“To be a successful investor over a lifetime does not require a stratospheric IQ, unusual insights or inside information. What’s needed is a sound intellectual framework for making decisions and the ability to **prevent your emotions** from corroding that framework”

Warren Buffett

Investment Principles

- Markets are efficient
- Diversification is the key
- Risk and return are related
- Market timing and stock picking don't work

How do we do this successfully and at the same time

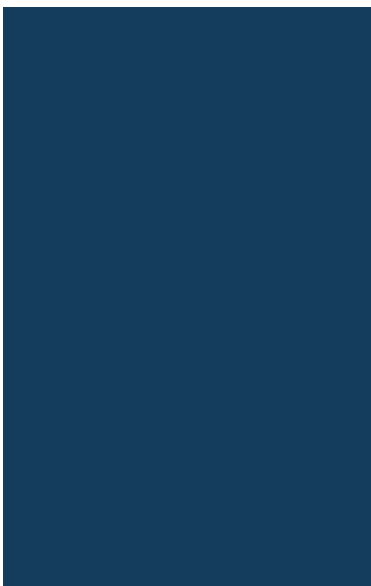
- Minimize costs
- Minimize tax

Make decisions based on the highest probability of achieving the desired outcome with the least amount of risk

Good investment returns are one thing, but what really matters is how much of that you get to keep.

GMO Australian Equity Trust	GMO0100AU	31/07/2007	3mth	6mth	1yr	2yr	3yr	5yr
Australian Equities	FUM: \$696.8M	Income Return	-	-	26.53	26.29	22.40	15.40
		Growth Return	-	-	1.76	-2.68	3.01	5.00
		Total Return	-0.30	8.16	28.28	23.61	25.42	20.40
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GMO Australian Small Companies Trust	GMO0101AU	31/07/2007	3mth	6mth	1yr	2yr	3yr	5yr
Australian Equities	FUM: \$100.5M	Income Return	-	-	34.60	25.10	25.12	19.63
		Growth Return	-	-	7.48	5.75	4.38	8.47
		Total Return	2.19	14.01	42.08	30.86	29.50	28.10
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Goldman Sachs JBWere Austn Equities Wsale	JBW0009AU	31/07/2007	3mth	6mth	1yr	2yr	3yr	5yr
Australian Equities	FUM: \$397.4M	Income Return	-	-	21.55	16.92	15.99	10.71
		Growth Return	-	-	3.23	3.10	8.57	7.73
		Total Return	0.11	7.89	24.78	20.01	24.56	18.44





Vanguard Australian Shares High Yield Fund	VAN0104AU	31/07/2007	3mth	6mth	1yr	2yr	3yr	5yr
Australian Equities	FUM: \$115.5M	Income Return	-	-	8.38	6.88	7.44	6.40
		Growth Return	-	-	21.49	15.13	16.37	11.98
		Total Return	0.96	10.81	29.87	22.01	23.81	18.38

Vanguard Wholesale - Austn Shares Index Fund	VAN0002AU	31/07/2007	3mth	6mth	1yr	2yr	3yr	5yr
Australian Equities	FUM: \$1,631.7M	Income Return	-	-	6.16	6.43	5.86	5.05
		Growth Return	-	-	22.18	16.88	19.29	14.42
		Total Return	0.43	8.49	28.34	23.31	25.15	19.47



Macquarie True Index - Australian Shares Fund	MAQ0288AU	31/07/2007	3mth	6mth	1yr	2yr	3yr	5yr
Australian Equities	FUM: \$236.6M	Income Return	-	-	15.24	9.96	9.56	-
		Growth Return	-	-	13.53	13.73	15.90	-
		Total Return	0.45	8.62	28.77	23.69	25.45	-
Merrill Lynch Wholesale Australian Share Fund	PWA0823AU	31/07/2007	3mth	6mth	1yr	2yr	3yr	5yr
Australian Equities	FUM: \$939.4M	Income Return	-	-	28.07	26.87	20.26	13.10
		Growth Return	-	-	-2.08	-2.85	6.40	6.17
		Total Return	1.83	10.17	26.00	24.02	26.66	19.27
Merrill Lynch Ws Australian Quant Strategies D	MAL0013AU	31/07/2007	3mth	6mth	1yr	2yr	3yr	5yr
Australian Equities	FUM: \$1.4M	Income Return	-	-	14.19	17.42	-	-
		Growth Return	-	-	14.16	4.97	-	-
		Total Return	-0.13	7.86	28.35	22.39	-	-
MLC Wholesale Australian Share Fund	MLC0262AU	31/07/2007	3mth	6mth	1yr	2yr	3yr	5yr
Australian Equities	FUM: \$42.7M	Income Return	-	-	18.19	20.09	20.56	13.50
		Growth Return	-	-	7.48	0.44	2.70	4.58
		Total Return	-0.93	5.79	25.67	20.52	23.26	18.08

Dimensional - Australian Large Company Trust	DFA0103AU	31/07/2007	3mth	6mth	1yr	2yr	3yr	5yr
Australian Equities	FUM: \$460.2M	Income Return	-	-	6.45	5.28	5.98	4.79
		Growth Return	-	-	20.27	17.12	18.42	14.10
		Total Return	0.04	7.78	26.72	22.40	24.40	18.89
Dimensional - Australian Small Company Trust	DFA0104AU	31/07/2007	3mth	6mth	1yr	2yr	3yr	5yr
Australian Equities	FUM: \$334.8M	Income Return	-	-	12.88	8.83	7.58	5.87
		Growth Return	-	-	32.67	22.98	21.22	20.71
		Total Return	6.02	17.30	45.55	31.80	28.80	26.58
Dimensional - Australian Value Trust	DFA0101AU	31/07/2007	3mth	6mth	1yr	2yr	3yr	5yr
Australian Equities	FUM: \$907.2M	Income Return	-	-	9.99	8.39	8.71	6.91
		Growth Return	-	-	20.71	15.02	15.59	15.50
		Total Return	0.82	8.32	30.70	23.41	24.30	22.41
Dimensional Australian Core Equity Trust	DFA0003AU	31/07/2007	3mth	6mth	1yr	2yr	3yr	5yr
Australian Equities	FUM: \$333.8M	Income Return	-	-	1.96	-	-	-
		Growth Return	-	-	28.98	-	-	-
		Total Return	0.83	8.66	30.94	-	-	-

What should you get if you invest in equity markets

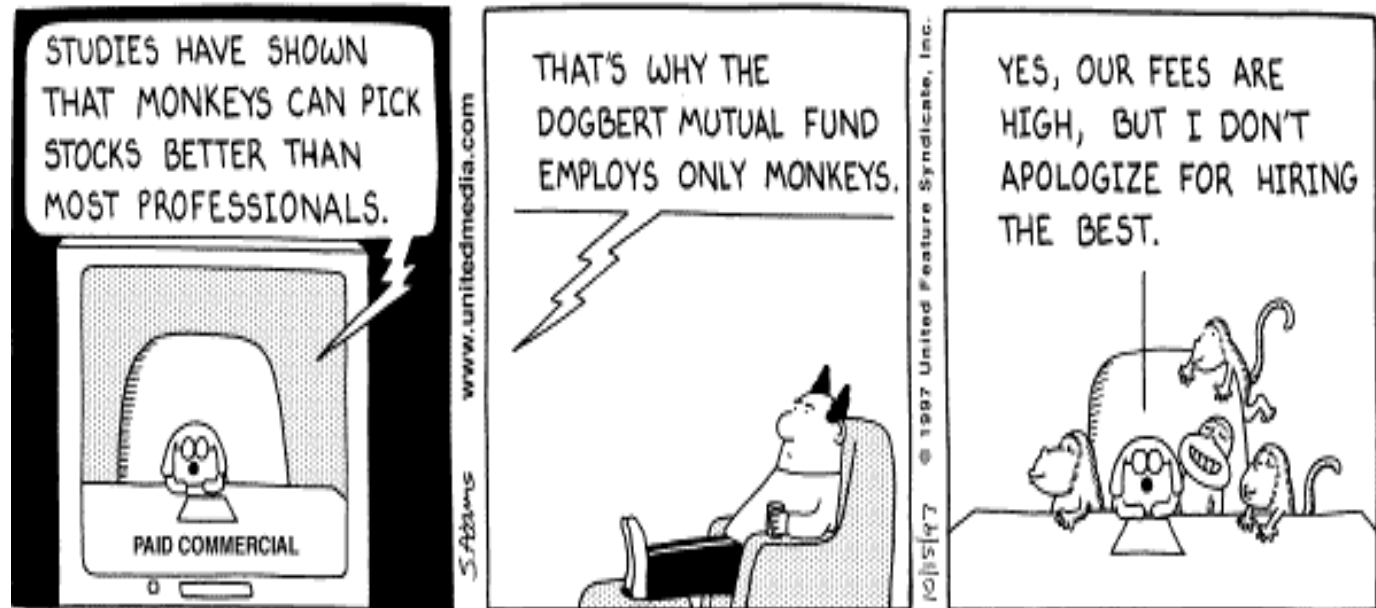
- You are entitled to get the equity risk premium for investing in the market,
OTHERWISE
why invest in the market.

Fixed Interest Strategies

- The primary goal of fixed interest is to dampen volatility and be a source of liquidity
- Only take risks when you expect a return premium
- Equities have a **more reliable return premium** than long dated maturity fixed interest investments
- Maintain a fixed interest strategy that comprises short dated treasury instruments

Active Managers

- Zero sum game before fees, commission and trading costs – Ken French
- I think some managers can beat the market
 - Unfortunately, I do not know how to identify them in real time
 - Returns are very noisy
 - Peter Lynch and Fidelity's Magellan Fund



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Index Managers

Most investors, both institutional and individual, will find that the best way to own common stocks is through an index fund that charges minimal fees. Those following this path are sure to beat the net results (after fees and expenses) delivered by the great majority of investment professionals.

Warren Buffett

Index Managers

We have been strong advocates of index investing for individuals investors. Mutual funds that track very broad market segments are cheap, well-diversified and tax efficient.

However, actively managed mutual funds charge investors too much. All of the accumulated evidence indicates that the average actively managed mutual fund is unable to match the market. Much less beat it. Almost all of this shortfall can be traced to the high expense ratios charged by actively managed mutual funds.

Brad Barber (Prof of Finance at University of California)

Unclaimed super

Could this be you?

- 1 in 3 workers have failed to claim their super
- there are over 5 million lost super accounts
- with more than \$8 billion dollars of unclaimed super

Find your lost super?

Free Search with the ATO Lost Member Register

Phone: 132 865

Online: www.ato.gov.au/superseeker

What does Horizon do for its clients

- Horizon Wealth Management is an **independently owned** financial advisory firm.
- Horizon Wealth Management is in the business of assisting individuals in the efficient management of their personal wealth, helping them to **become financially independent.**

“How successfully you invest your current income and assets.... will determine your family’s long term financial well being.”

What to remember

- Log into www.colonialfirststate.com.au
- Review your portfolio
- Nominate your beneficiaries

Take ownership – its your money

Creating wealth is not about competing against someone else or a benchmark, but rather ensuring that over time, your investments outperform the value of your expenses.

Questions and Answers