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MCP GROUP NEWS

MCP GROUP WEBSITE

In this edition we thought it may be worthwhile to reiterate the offerings of our website, as many of our stakeholders are unaware of the resources and tools contained within.

The site has been designed and structured to have a dual effect. Firstly, our group wishes to convey our service offerings across our Financial, Commercial Legal and Business Structuring divisions.

QUOTE OF THE MONTH

"If you watch where you're walking you will miss the cow dung, but you will also miss the sunset."

- Old Australian Bush Saying

MARKET DATA AND EXPERT COMMENT

As at 21 November 2005

Official Cash Rate: 5.50%
U.S. Federal Funds Rate: 4.00%

90 Bank Bill Dealers Rate: 5.63%
10 Year Bonds Rate: 5.39%

All Ordinaries: 4598.2
Aust. Dollar (US Cents): 73.65

"International conditions are helping to support economic growth when domestic factors have been exerting a modest dampening effect."

- RBA November Statement
On Monetary Policy

Secondly, our Group seeks to provide information guides, insightful articles, previous copies of our newsletters and financial product guides to all visitors.



The MCP Group Website features a wide range of offerings for our financial agents and potential customers including an extensive list of product profiles and information sheets on purchasing a property.

We hope to be a resource centre for all people who are looking to establish a business (through our information guides in our legal section) or to our prospective financial customers who would like to ascertain their maximum

borrowing capabilities (via our loan calculators).

Our financier section is particularly extensive as this has been established as a platform for future Group growth. The financier/resources link allows our agents to view the product offerings of our panel of lenders in an understandable and standardised manner, which ultimately allows for comparability between all of our lenders' financial products.

QUESTION AND ANSWER

The MCP Group team will answer a selection of our clients' queries in each edition of our monthly newsletter. To submit your query to our office please contact our Group by phone on (03) 9620 2001 or via email at enquiries@mcpgroup.com.au.

FINANCE

We have inherited a relatively small amount of funds when compared to our mortgage. Should these funds be placed into our 100% offset account or be plugged directly into our mortgage (where they can be redrawn at a later date)?

The first option to consider is whether you will need to obtain access to these funds in the near future. Additionally, you will also need to consider the amount of charges associated with redrawing these funds directly from your mortgage, as some financiers can charge you up to \$50 to do so.

In terms of interest saved there is no ascertainable difference in the reduction of interest payable by using either method. Placing your funds in the offset account or injecting the funds directly into the mortgage will generate equivalent savings.

However, there is the ultimate question of your money management capabilities. For example, you may be more tempted to spend the inheritance on consumables if the funds are placed into your offset account, where access is readily available.

Alternatively, if the funds are placed directly into the mortgage they will effectively be 'locked in' - out of sight, mind and more importantly, out of immediate reach.

INTEREST RATE ANALYSIS - DOMESTIC RATES

The Reserve Bank of Australia ('RBA') has, once again, decided to leave the official cash rate at 5.50% per annum for the month of November.

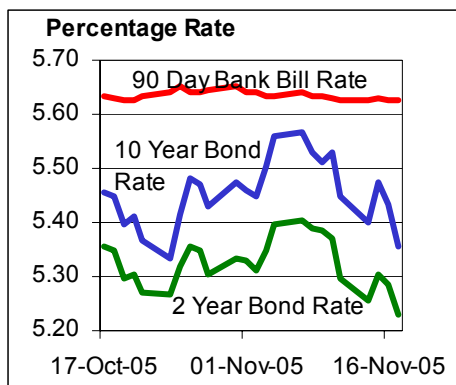
Perhaps the best indication of future rate movements may be derived from the interpretation of the comments within the Reserve Bank's November media release regarding monetary policy.

Throughout the media report the policy making authority points to our domestic stability regarding inflation and a robust global economy to convey their stance toward cash rate adjustments. It seems that they've decided to "monitor unfolding economic developments" to distinguish whether they should implement any such policy.

There seems to be, according to the Reserve Bank, a conflicting battle between a domestic decrease in the demand for Australian funds, which is due to the softening in housing prices, and the continued international demand for Australian cash due to global economic strength (exports).

This has prompted the Reserve Bank of Australia to make one thing abundantly clear: any form of monetary policy will be responsive rather than pre-emptive. To put this simply, the Reserve Bank of Australia has categorically stated that policy adjustments are more likely to be based on "official data" rather than forecasted trends in key economic variables such as inflation and employment.

Money Market Movements



Two and ten year bond rates continue to fluctuate due to economic uncertainty.

Any rate movements would be most likely to occur on the back of inflationary figures for the 2006 March quarter (to be released in early May due to the time requirements to collate data).

However, the RBA has the power to vary the level of the Official Cash Rate at any time - don't be surprised if they do.



EQUIPMENT LEASES

WHAT IS AN EQUIPMENT LEASE?

An equipment lease is a contract between an equipment owner and a person wanting temporary enjoyment and use of the equipment, in exchange for paying rent to the equipment owner.

It is an agreement that specifies the rights and obligations between a lessor (one who owns equipment) and a lessee (to whom the lease gives certain rights to possess and use the equipment).

HOW DOES IT OPERATE?

A lease on equipment is a means of financing the purchase of cars, plant and office equipment. The leased equipment is still owned by the bank or finance company, until the expiry of the lease term, at which stage the lessee may be able to purchase the asset by payment of the residual value decided on in the terms of the lease agreement.

TERM?

Lease terms can be for up to any period of time as long as all parties agree and it is stipulated in the agreement.

TYPES?

There are two main types of equipment lease. These are known as operating leases and finance leases.

Operating leases means the equipment is either purchased by a financier on your behalf or is leased directly from the supplier. The lessor then makes periodic rental payments during the lease period and the financier or supplier as lessor retains ownership of the equipment.

Once the lease expires the equipment can be returned or the lease extended.



Equipment leases act much like contractual agreements between the lessor (owner) and the lessee (temporary user). The contract stipulates the terms of use and the underlying level of rent payable.

Finance leases means a financier purchases the equipment you require on your behalf. The finance lease will require you to make rental repayments and will also show a residual value which enables you to make an offer to purchase the equipment at the end of the lease term for that residual value.

HIRE PURCHASE

Hire purchase operates in a similar method to finance leases. It usually requires the hirer to pay a deposit at the outset of the agreement when the equipment you require is purchased for you by the financier.

STARTING YOUR OWN BUSINESS

Starting your own business, irrespective of its size, is a time consuming and difficult process. There are a few tips to ensure that your business venture has the best possible chance of success. Perhaps the best tip to offer is to budget and set clear business goals.

It is widely advised that you write a business plan and ensure that you adhere to the plan, ensuring that the long-term and difficult goals are broken down into several achievable segments.

Along with budgeting always ensure that you review your performance and speed towards your future goals. It is also advised that you keep some working capital in reserve for times when opportunities or situations arise that require the use of these funds.

Please speak to our office for further information.

Nine Tips on Starting Your Own Business

- 1 Write a business plan and stick to it. Always know where you want to go and how to get there.
- 2 Remember the 80/20 rule. If 20% of your customers are producing 80% of your revenue, be sure you know who they are and treat them like kings.
- 3 Stand out from the crowd – with a memorable business name and logo.
- 4 Hire the best people you can – and pay them the most you can afford.
- 5 Promote benefits, not features. In other words, be sure to tell your customers what's in it for them.
- 6 Stay image conscious by maintaining a consistent look across your printed material.
- 7 Be your own auditor. Write a budget, set your financial goals, and continually measure your progress.
- 8 Increase your sales staff for free. Satisfied customers are your best source of referral advertising (and they won't cost you a cent in commissions).
- 9 Go with the flow. Carefully manage your cash flow by conserving your capital and never committing cash until it is absolutely necessary.

Commencing a new business is a time consuming and difficult experience which requires expert advice in several areas including finance, accounting and law.



WHEN ARE OFFSET ACCOUNTS WORTHWHILE?

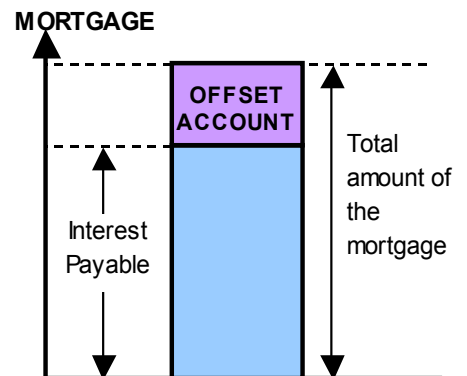
Some readers may remember a financial 'question and answer' relating to offset accounts in one of our most recent editions of the MCP Group newsletter. Due to a variety of responses regarding offset accounts from our distribution list we've decided to devote an article toward the feasibility of an offset account for your information.

MORTGAGE WITH AN OFFSET ACCOUNT OR A BASIC FACILITY?

For many borrowers, deciding whether to have a featured loan with an offset account or a basic home loan is a difficult process.

An offset lending facility is a loan with an attached transaction account, where the balance of the funds in the account is subtracted from the amount of the core loan before the calculation of daily interest. While interest is charged monthly, it is calculated on a daily basis, hence the value of an offset account.

The benefit of the above facility is the reduction in the interest payable, assuming that your offset account is utilised correctly. However, consumers must be aware that offset accounts generally come at a cost that is generally in the vicinity of a 0.6% p.a. buffer in the interest rate per annum (of a featured versus a basic loan).



Interest is only payable on the mortgage less the balance in the offset account (blue section). Interest is calculated daily and usually charged monthly.

SHOULD I PURCHASE?

If you choose to buy rather than lease the equipment you would normally borrow from a financier and make loan repayments.

Buying the equipment gives you ownership of the equipment from the outset but the financier would normally take a chattel mortgage over the equipment as part of its financing requirements.

Purchasing the equipment may be a viable option where the equipment has a long life and also some resale value if you later chose to sell.

GUARANTEES

It is often a requirement of lessors and financiers that directors of the business provide personal guarantees to support the repayment obligations under the lease or loan.

Specific legal advice should be obtained prior to signing any such guarantee.

ASSIGNMENT

Generally, a lessee needs the consent of the lessor to assign the lease. Further, the assignor is usually required to guarantee the performance of the assignee during the current Lease.

DISPUTE RESOLUTION CLAUSES IN THE LEASE

A Lease should contain a clause dealing with methods of dispute resolution. Generally, parties should opt for mediation or another alternative dispute resolution prior to commencing legal proceedings.

TAX?

While lease payments are normally tax deductible, you should consult your accountant.

For example, the standard variable rate is currently 7.32% p.a. (which may allow for the attachment of an offset account), compared to a basic lending facility which has a nominal rate of 6.72% p.a. as per the product offerings of Australia's top tier lenders (excluding Professional Packages).

A basic facility consists of a loan that has only one account - the mortgage. This is ideal for people who want to keep their existing banking structure simple, preferring to pay a lower interest rate and forgo the 'bells and whistles' associated with featured loans such as an offset account.

Many methods may be utilised to maximise the effectiveness of an offset account. One includes having all of your earnings deposited into an offset account, keeping the funds in the account for as long as possible through the utilisation of the interest free days on your credit card. The credit card is then repaid from the offset account before the expiry of the interest free days, thereby resulting in the saving of monthly interest.



Utilising the interest free days on your credit card is one method of maintaining the balance of your offset account. This results in the reduction of interest payable on your primary mortgage.

For example, assume that two applicants receive a net annual salary of \$1,500 per week (approximately \$6,450 per month), they pay no monthly fees and they utilise the interest free days on their credit card for one month. The interest saved over the course of the month would be \$39.34 (based on a simple interest calculation and an interest rate of 7.32% per annum). This equates to an annual saving of approximately \$472.

Offset accounts are better suited to individuals who have a large amount of funds in their offset account and a relatively low mortgage (as the

amount of funds in the offset account would negate a higher portion of the home loan).

Some borrowers are also unaware that they may obtain a featured loan with an offset account at the same rate as a basic lending facility through the utilisation of the generous discounts contained within a professionals package.

Our office highly recommends the use of a qualified professional who is experienced with undertaking a 'needs analysis' regarding your financial situation. This would ensure that you are matched to a product and/or package that reflects your needs and requirements.

Please speak to one of our qualified mortgage consultants for further information.

FUNDING FOR THE FUTURE

If you are financially disciplined it may be worthwhile considering to establish a Line of Credit or an interest only Term Loan facility to assist with funding for future investment opportunities, or to provide you with the 'piece of mind' that you will have access to cash reserves in the event of a crisis.

As discussed in earlier editions of our Group newsletters, Term Loan facilities usually have a specified interest only period (5 to 10 years), may be cheaper than Line of Credit facilities and you still only pay interest on what you have drawn. The Line of Credit facility offers more flexibility, including the capitalisation of interest (i.e. you do not make repayments until your balance exceeds your limit) and the ability to draw funds easily at your own discretion. Line of credit facilities also cater for direct withdrawals, including cheque book access.

The advantage of establishing such facilities is you have immediate access to funding for investment purchases (bank approvals take time which can mean lost opportunities) or access to cash in the event of crisis (e.g. you are temporarily unemployed and need to maintain your commitments during such time).

Another advantage, particularly with Line of Credit loans revolves around the notion of dollar cost averaging (buying investments over time to

negate purchasing at the peak of the investment price).

The All Ordinaries Index is currently near all time highs with some investors wary of purchasing at the height of the market. A line of credit allows borrowers to periodically purchase shares, thereby mitigating the risk of a 'once off' purchase at a relatively high investment price.



Purchasing shares at the height of any market can be a headache for investors. Line of Credit facilities can be an efficient tool to purchase shares at different phases of sharemarket cycle.

The advantage lies within the fact that with a line of credit you only pay interest on the funds you have used, can capitalise interest and can transfer funds to and from a share account easily and without as much duress as a term loan.

A term loan requires interest to be paid on the total amount upon establishment, irrespective of whether the underlying funds have been invested, assuming that the total balance has been drawn.

The obvious disadvantage is that the financially undisciplined may be tempted to use the facility to fund lifestyle and/or unnecessary personal expenditure. This is always a problem, and the first sign of someone not suited are individuals who operate their credit cards at or around their limits (although there are exceptional circumstances why this may be the case).

If your financial discipline is questionable, it may be best not to adopt such a facility. Ideally, the intention in mind must be solely for investment/difficult circumstances (and if used for investment purposes the interest should be tax deductible).

MCP can show you how utilising the available equity in your property and establishing such facilities can be beneficial. It may also may be an opportunity for you to have MCP

review your existing facilities and if warranted, make recommendations as to whether you have a suitable loan structure in place if more competitive offerings are available.

FINANCIER NEWS

GE MONEY

GE are now offering great deals on lending where the loan to value ratio is 60% or less, and the applicant has a clean credit history. Rates for full documentation loans have decreased significantly to 6.48% per annum (variable) and for the self-certified (low doc) version the rate is now 6.58% per annum (variable).

GE's establishment costs consist of a \$480 application fee (MCP can negotiate for this to be waived) and a \$970 Settlement Fee. There are no ongoing costs for this loan, however exit costs are applied in the first six (6) years. A redraw fee of \$25 applies with minimum redraw being \$1,000.

A reminder that GE don't offer interest only terms, however it's possible to obtain a 40 year principal reducing term loan. As a guide, on a \$300,000 mortgage at 6.48% per annum, the monthly repayments would be as follows:

40 Year Term	\$1,752
Interest Only	\$1,620
Differential	\$132

If looking for a long-term investment the deductible interest will be reduced over time (due to the amortising nature of the debt). Prior to obtaining an investment loan via GE it's best to take into account all options and weigh up the impact that amortising debt will have on the tax effectiveness of the investment.

ST GEORGE

St George are currently offering a five (5) year fixed rate loan at 6.59% per annum. This is considered to be an extremely competitive offering. Additionally, St George's Professional Mortgage Benefits package continues to remain competitive, where borrowers seek two or less loan splits against one security. Unlike other packages, standard fees apply. However, there is no "package" fee applicable.

BANKWEST

Bankwest's Lite Home Loan is amongst the leading basic products in the market. The application fee of \$500 is rebated after three years providing all repayments are met (to acknowledge customer loyalty). The application fee covers legal costs and one standard valuation. An additional \$51.25 fee is charged to cover the cost of disbursements. There are no ongoing fees and the variable rate is 6.65% p.a. Extra repayments can be made with no penalty, and redraw is available for a fee of \$45 per withdrawal.

ING COMMERCIAL

A reminder ING Commercial are waiving the establishment fee on all Priority Commercial Mortgages until the end of the year. The normal fee is 0.25% of the loan amount, so this can equate to a substantial saving. Competitive variable and fixed rates also apply.

MACQUARIE (COMMERCIAL)

Macquarie Commercial has introduced a finance product that allows you to borrow against your mixed property portfolio to finance all your investment and wealth creation needs. Whether you are looking to invest in properties, shares or managed funds, lifestyle pursuits, or wanting to diversify across other asset classes, Macquarie's new finance product enables you one loan facility for all your investment needs.

It enables a variety of properties to be used as security for the one loan and the freedom to restructure your entire loan portfolio whenever you want. These properties can be substituted with new ones as properties are bought and sold without having to refinance your whole loan facility. Interest only repayments are also available for the life of the loan.

INSURING AGAINST DECLINING HOUSING PRICES

The Housing Industry of Australia (HIA), in conjunction with ACE Insurance, is launching a new insurance product which will give home owners up to \$50,000 in protection against the event of a decline in property prices. It would consist of a 'once off' premium,

covering you in the event you sell within the first five years (unless you are forced to sell for reasons such as redundancy, divorce, accidental death or permanent disability).

For \$600 plus GST, one can be insured up to \$30,000, and for \$1,150 plus GST one can be insured for up to \$50,000.

However, such policy can only be taken by Builders or Developers and then sold to property buyers as an inclusion into their contract. Many question whether this product will be a success as developers sell properties with a marketing angle. These properties represent capital growth and, resultantly, many prospective property buyers may be deterred by such insurance offerings included within a contract, as it may suggest that the property represents substantial investment risk. No doubt that for some individuals, this insurance will represent comfort.

OLD SCOTCH FOOTBALL CLUB OPEN DAY

The Old Scotch Football Club is the longest survivor in the A Grade Competition of the VAFA Football Association. MCP Group are delighted to be associated with this community organisation as a sponsor.

The Football Club will be having a 'meet and greet' session with the new coach, Barry Price, who will present the new coaching team's action plan for the 2006 season. The day is an opportunity for all members, sponsors and newcomers to enjoy a preview of what's in store for the Old Scotch Football Club. It will be held at The Courtyard Tavern Inn on Wednesday 30th November.

Event	Old Scotch Football Club Open Day
Date	Wednesday 30th November 2005
Venue	The Courtyard Tavern Inn
Time	1:00 pm - 2:00 pm
Address	86A Collins Street
Suburb	Melbourne VIC 3000

Finger food and light refreshments will be provided. Please contact Sharon Nixon on (03) 9620 2001 to RSVP or for any further information. All MCP associates are most welcomed to attend.



Level 7, 520 Collins Street
Melbourne VIC 3000
Phone: (03) 9620 2001
Facsimile: (03) 9620 2002

INDICATIVE INTEREST RATE SCHEDULE

A selection of our financiers' most competitive Interest Rates. Rates displayed are generally discounted and may not apply to your situation. This is an indicative guide only. Comparison rates are available upon request. Please speak to MCP Group for further information.

	Variable Rates (Inclusive of Discounts)				Fixed Rates					Commission Rates (%)		
	Featured	L.O.C.	Basic	Low Doc	1 Year	2 Year	3 Years	5 Years	Upfront	Trail		
MAJORS	ANZ Bank	6.72%	6.72%	6.62%	6.85%	6.79%	6.65%	6.79%	0.60%	0.20%		
	CBA	6.72%	6.72%	6.62%	6.70%	6.64%	6.44%	6.64%	0.70%	0.25%		
	NAB	6.62%	6.77%	6.72%	7.32%	6.85%	6.79%	6.47%	6.79%	0.60%	n/a	
	Westpac	6.62%	6.77%	6.74%	6.62%	6.89%	6.79%	6.65%	6.79%	0.60%	0.25%	
	AMP Bank	6.67%	6.87%	6.76%	7.06%	6.69%	6.69%	6.49%	6.69%	0.50%	0.25%	
	Adelaide Bank	6.79%	7.42%	6.79%	7.32%	6.75%	6.75%	6.69%	6.79%	0.60%	0.25%	
OTHER LENDERS	BankWest	6.65%	7.35%	6.65%	7.24%	6.75%	6.75%	6.85%	0.50%	0.25%		
	Citibank	6.62%	7.41%	6.62%	7.25%	6.85%	6.79%	6.95%	0.65%	0.25%		
	GE Money	N/A	N/A	6.48%	6.58%	Not Available					1.00%	0.50%
	HSBC Bank	6.87%	7.03%	6.69%	6.87%	6.85%	6.85%	6.75%	6.85%	0.60%	0.25%	
	ING Bank	6.70%	7.30%	6.70%	7.24%	6.59%	6.59%	6.59%	6.74%	0.60%	0.25%	
	Macquarie	6.69%	N/A	6.69%	7.25%	7.05%	7.05%	6.95%	6.99%	0.60%	0.25%	
St George	6.62%	6.72%	6.74%	6.62%	6.89%	6.79%	6.79%	6.59%	0.60%	0.25%		
Suburban Management	6.74%	N/A	6.74%	7.24%	Available Upon Request					0.60%	0.25%	

Must be fully secured by Residential Property - Rates are Indicative Only. More lenders available upon Request (Selection provided only).

	Variable Base Rates			Fixed Rates				
	Standard	Overdraft/L.O.C.	8.60%	1 Year	2 Year	3 Years	5 Years	
LENDER	ANZ Bank*	7.67%	8.60%	7.39%	7.44%	7.47%	7.61%	
	ING Bank	7.60%	8.70%	7.55%	7.60%	7.65%	7.70%	
	Citibank	7.70%	8.45%	7.45%	7.69%	7.69%	7.79%	
	BankWest*	7.40%	8.50%	Available Upon Request				
	Members Equity	7.49%	N/A	Available Upon Request				
	St George	8.30%	8.67%	Available Upon Request				
Westpac	7.55%	7.95%	7.35%	7.40%	7.45%	7.60%		

* ANZ Bank Commercial Loan Rates (Standard) must be secured by residential property. All commercial loan rates are a starting guide only. A buffer may be added to the above rates depending on the underlying strength of the commercial loan application. All rates are based on borrowings of \$500,000. The displayed Citibank commercial rate applies only to new business.

Nominal interest rates may be misleading in some instances (the rates we quote are subject to specific criteria being satisfied). Comparison Rates are provided upon request, tailored to your specific scenario for any number of products. Please contact our office for further information regarding comparison rates.