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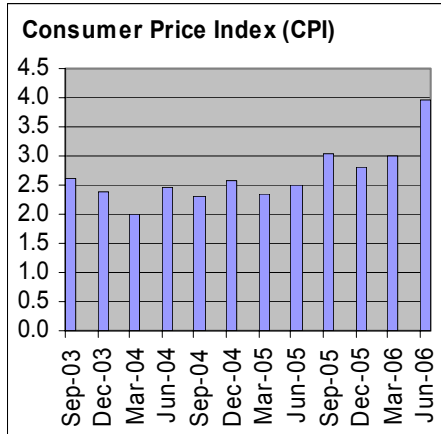
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QUOTE OF THE MONTH

"They say that time changes things, but you actually have to change them yourselves."

- Andy Warhol

Quarterly CPI



June 2006 quarterly CPI figures were well above the Reserve Bank of Australia's (RBA) target inflationary range of 2-3% per annum.

plays a dual role; firstly by curbing the undue short-term euphoria surrounding capital markets and secondly, by ensuring that inefficient production remains marginal.

A classic example of interest rates restraining capital markets was the release of BHP Billiton's recent profit figures, and the broader performance of our sharemarket. BHP Billiton released the highest recorded profit in Australian sharemarket history and, even though the announcement exceeded many analysts' forecasts, the shares then proceeded to drop in value.

Furthermore, the recent sideways trend of our domestic All Ordinaries Index (top 500 shares by market capitalisation) is also evidence of the emerging decrease in capital market confidence, which is certainly partially due to interest rates rises and inflation rates.

Firstly, let's place Australia in a situation where credit remains lackadaisical with a high ease of finance amongst business and

Market Data/Statistics

Official Cash Rate: 6.00%
U.S. Fed. Funds Rate: 5.25%
90 Day Bank Bill Rate: 6.29%
5 Year Bond Rate: 5.89%

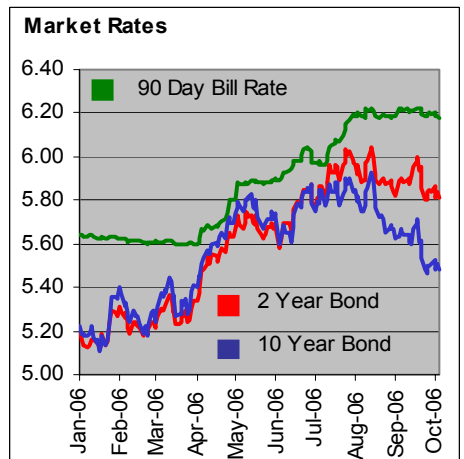
All Ordinaries: 5304.4
Dow Jones: 12,002

As at 23 October 2006

consumer groups. In this situation employment would inevitably increase in the short-run. As a result, prices may increase due to the bidding war for inputs such a human capital. Additionally, sharemarket profits may remain relatively solid due to a high level of economic expenditure.

In this circumstance, stock piles may accumulate due to excessive production, thereby reducing the price of these goods and services and increasing unemployment in the long-run. As evidenced in the CPI graph (above), the beginning stages of this phenomenon may already be occurring as quarterly inflation had risen

Money Market Rates



The 90 Day Bank Bill rate remains stable while the two (2) and ten (10) year bond rates have trended downwards since August 2006.

INTEREST RATES AND THE ECONOMY

MARKET CAUTION

The Official Cash Rate remains at 6.00% for the month of October. While a rise in our domestic cash rate remains omnipresent, it should not be considered an exclusively pessimistic sign.

While tightening monetary policy will theoretically reduce consumer and business spending due to a decrease in credit lending; more stringent credit invariably leads to an economy that is better equipped to sustain itself in the long-run.

While a long-term perspective isn't always as exciting as a robust and short-term economic spurt, it still

sharply in the June 2006 quarter (due to the use of inefficient and expensive resources inputs).

It may be safe to assume that the Reserve Bank is putting the brakes on our economy, which may mean a period of consolidation of company profits and share prices in the short to medium term.

Evan Tepper, MCP Group

QUESTIONS AND ANSWERS

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 (enquiries@mcpgroup.com.au).

FINANCE

Can you please explain what is meant by medium-term financing? I am aware of long and short-term financing but am unsure as to what is meant by the medium-term in relation to financing.

Medium-term finance may extend from two to eight years and be used for purposes which cover equipment finance, business expansion or the development of new and innovative product lines. The two most common forms of medium term financing are your standard term loans or lease finance.

Leasing is where the bank purchases the equipment on your behalf and leases it to you for a predetermined timeframe. At the end of the leasing period, the bank may offer you the option of purchasing the equipment outright at nominal residual or sale value (please refer to our legal article for further information).

Legal

I am a business owner and would like to undertake a police check on a potential applicant. Could you please offer any advice?

If your business decides to include a police record check in its recruitment process, it is essential that:

- Applicants are informed from the outset that a police record check will be performed, by stating this in the position description and all associated documents;
- The applicant gives consent to the

police record check by signing the relevant section of the Police Records Check Consent Form.

While pre-employment screening has a valuable role to play, it may expose employers to potential risks. These risks need to be understood and managed by employers to minimise possible legal problems.

It is strongly recommended business advisers such as lawyers are involved in the process to ensure rights are protected and obligations understood.



THE ADVANTAGES AND DISADVANTAGES OF A DISCRETIONARY (FAMILY) TRUST

A Discretionary Trust is generally established for the benefit of a family and its members. It allows the Trustee to obtain discretion as to the distribution of both income and capital for the benefit of a family.

A Trust is composed of four parties: the Settlor, who creates the Trust by drawing up a Trust Deed and entrusts

The Advantages and Disadvantages of a Discretionary (Family) Trust

✓	The Trustee has decision making power at their discretion.
✓	Flexible, because the profits are distributed in accordance with the Trustee's wishes.
✓	Confidential - there is no searching of any register.
✗	The Trust must run in accordance with the rules of the Trust Deed, and the Common Law of Trusts will imply many rules.
✗	A Trust has no separate legal entity from the Trustee. Thus, the Trustee is responsible for the liabilities of the Trust.
✗	Since the Trustee is liable, the Trustee may have to be a company to protect personal assets.
✗	Onerous Trustee duties apply.

money or property to the Trustee; the Trustee, who then manages the property or the money; thirdly, the Beneficiaries, who receive the benefit of the capital and the income of the Trust; and fourthly, the Appointers, who appoint and control the Trustees. The Trustee has a fiduciary relationship with the Beneficiaries.

Trusts are complex - please contact us if you require more detailed information.



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 OF LEASES

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

Operating Leases

This means the equipment is either purchased by a financier on your behalf or is leased directly from the supplier. The lessee 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. At times the lessor may allow you to extend the lease.

Finance Leases

This 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.

PURCHASING?

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.

REPAIRS

The lease document will govern who is responsible for repairs and maintenance of equipment.

ASSIGNMENT

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

DISPUTE RESOLUTION CLAUSES IN THE LEASE



A lessor may request a security deposit which must be held in an interest bearing account.

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.

Shane Frost, MCP Legal



WHEN IS THE BEST TIME TO START SAVING FOR RETIREMENT?

The old adage that 'time equals money' remains true and correct when it comes to saving for your retirement.

In last month's edition of the MCP Group Newsletter we looked at how extending the term of a mortgage could increase the amount of interest paid. Contrastingly, this article will analyse a typical scenario to showcase the effects of time on the accumulation of superannuation through the power of compounding returns.

Choosing to invest additional funds into superannuation must be made on a case by case basis. A suite of factors have to be considered before choosing to invest into an investment vehicle that imposes extremely stringent restrictions, particularly when it come to things such as the redraw of invested monies.

In our given example total capital injections (initial \$10,000 plus \$2,500 per year thereafter) would equal

Scenario

Three MCP Group customers seek advice in relation to their projected superannuation balance at retirement. All three investors have agreed to contribute an initial lump sum of \$10,000 towards superannuation, and an additional \$2,500 made up of the superannuation guarantee and personal monies each year thereafter. The first investor starts this process at the age of 21. The second and third investor decide to undertake the above savings regime at the ages 30 and 40 respectively.

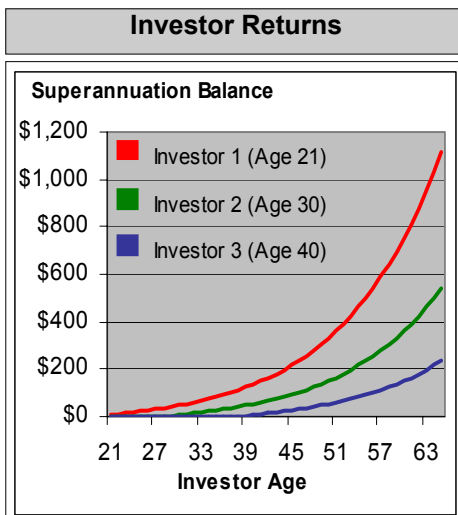
\$117,500 for the first investor, \$95,000 for the second investor and \$70,000 for the third investor. We will assume a yearly investment return of 8% per annum for all three investors.

Despite the relatively small differences in the capital contribution towards superannuation, the number of years to allow for returns to compound were 44, 35 and 25 for the first, second and third investor respectively.

The end results are staggering. Investor One who starting investing at the age of 21 would have an account balance of \$1,119,517. Investor Two's (started age 30) account balance would be \$544,420 and investor Three's account balance would be \$235,397 (started age 40).

The benefits of investing early are clearly evident. Investing into superannuation as early as possible has significant rewards, both financial and personally.

We are strong advocates of investing



The above graph shows the benefits of saving for retirement early.

into superannuation as early as possible, especially in situations where our customers may be eligible for the government's **co-contribution scheme**.

Put simply, the **co-contribution scheme** stipulates that the government will contribute \$1.50 for every \$1.00 invested into superannuation up to a maximum of \$1,500 per year for low income earners.

Evan Tepper, MCP Group



FEES FOR SHORT TERM LENDING: THE CLAW BACK OF COMMISSIONS

With increased competition in the market in recent times (pushed by lenders such as ING Bank, BankWest and the Macquarie Bank), many lenders are writing a majority of their new business at 0.50% to 0.70% per annum below their standard variable rates. This has translated to reduced margins for lenders.

As a result, we have seen the introduction of new fees and charges by these lenders, with some lenders forced to increase existing fees to combat the reduction in their profit margins.

Brokers are also feeling the pinch as a large number of lenders now monitor loan balances (including offset account balances) and reserve the right to "claw back" (or reclaim) previous upfront fees paid to brokers. For example, where a loan, which may have settled ten months' ago, is repaid today - the lender may reclaim the entire upfront fee (or a significant portion).

As a result of "claw backs" clients with short term funding intentions usually need to be charged a service fee by MCP Group. We always disclose the commissions we receive and where necessary we will explain the circumstances in which our commissions are "clawed back". Despite those instances where a fee may need to be charged, MCP offers added value in sourcing short-term funding options taking into account a number of factors which many may not consider when sourcing finance by themselves. These include:

- Whether you necessarily need to approach a Short-Term Lender as this translates to higher costs.
- Exit costs - don't lock yourself into a contract where significant exit costs might be incurred.
- Make sure you have flexibility to extend beyond your intended "payback date" in the event that your circumstances change.

MCP would represent you to negotiate the best possible outcome, with the fee you pay translating to greater savings.

Adam Maciejewski, MCP Finance

MCP CASE STUDY: BENEFITS OF AN INTERNAL REFINANCE

An MCP Group customer had two properties - one in Queensland (worth \$250,000) and one in Victoria (worth \$500,000). Both were mortgaged to a major lender. The client sought to increase borrowings on his existing facility to \$400,000.

The client approached his existing lender who whilst competitive, wanted to retain mortgages on both property titles and apportion the increase to QLD state based mortgage stamp duty. The client asked MCP to review his facility.

MCP recommended to restructure the existing and new borrowings with the same lender - but against the Victorian property only, sparing the client from Mortgage Stamp Duty and releasing a title for the clients possession without jeopardising pricing.

MCP will in many instances review a clients' existing lending arrangement, and may recommend the client stay with their existing lender (due to unattractive switch costs). In such cases MCP can renegotiate the terms of their existing facility, including the reduction of interest rates, removal of unnecessary fees & charges, and release of any property titles which are considered as excessive security to the lender.

Please call MCP to have your existing facility reviewed.

Adam Maciejewski, MCP Finance

FINANCIER NEWS

ANZ Bank

Effective from 2 October 2006, financial advice for guarantors in relation to the borrowings of the respective guarantee will only be required in specific circumstances. Guarantors will still be required to seek legal counsel surrounding their legal obligations.

Our legal and financial department is well equipped to provide specific advice in relation to guarantor duties for a fee. Please contact our legal department for further information.

Westpac Bank

Westpac are introducing, for a limited time only, a 0.12% discount off their First Home Loan products where the loan amount is \$250,000 or more. The discount applies to the First Option Home Loan and Westpac's First Option Investment Property Loan.

The discount is applicable for the life of the loan, however, full establishment and loan maintenance fees apply.

Macquarie Mortgage

Macquarie Mortgages lo doc products are popular in the lo doc segment of the market. Until the end of the year they are offering a variable rate of 7.48% p.a. on all lo doc loans over \$250,000. In addition where lending does not exceed 70% of property value and the funds are obtained for investment purposes income is not required to be declared.

MCP GROUP WELCOMES RHIAN FISHER

MCP Group would like to extend a warm welcome to Rhian Fisher, who has joined our firm in the capacity of Executive Assistant from 16 October 2006. Her primary responsibilities will be to support members of the Finance team.

Rhian will be working from Monday to Thursday and has recently emigrated from England to Australia. We are very excited with having Rhian at MCP Group and wish her all the best.

INDICATIVE INTEREST RATE SCHEDULE - AS AT 31 OCTOBER 2006

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.

Residential Lending*		Variable Rates (Inclusive of Discounts)				Fixed Rates				Commission Rates (%)	
		Offset	L.O.C.	Basic	Low Doc	1 Year	2 Year	3 Years	5 Years	Upfront	Trail
MAJORS	ANZ Bank	7.12%	7.22%	7.22%	7.12%	7.35%	7.35%	7.35%	7.45%	0.625%	0.20%
	CBA	7.12%	7.22%	7.31%	7.22%	7.20%	7.14%	7.04%	7.34%	0.70%	0.25%
	NAB	7.12%	7.39%	7.12%	7.32%	7.35%	7.35%	7.18%	7.39%	0.60%	N/A
	Westpac	7.12%	7.27%	7.24%	7.22%	7.35%	7.27%	7.19%	7.49%	0.60%	0.25%
OTHER LENDERS	AMP Bank	7.17%	7.37%	7.23%	7.38%	7.15%	7.25%	7.24%	7.09%	0.50%	0.25%
	Adelaide Bank	7.82%	7.92%	7.29%	7.82%	7.35%	7.35%	7.25%	7.30%	0.60%	0.25%
	BankWest	7.10%	7.35%	7.15%	7.74%	7.18%	7.18%	7.09%	6.99%	0.50%	0.25%
	Citibank	7.46%	7.47%	7.12%	7.46%	7.30%	7.30%	7.12%	7.12%	0.65%	0.25%
	GE Money	N/A	N/A	7.59%	7.69%	Not Available				1.00%	0.50%
	HSBC Bank	7.45%	7.45%	7.19%	7.45%	7.25%	7.25%	7.15%	7.35%	0.60%	0.25%
	ING Bank	7.15%	7.74%	7.15%	7.74%	7.19%	7.19%	7.19%	7.29%	0.50%	0.25%
	Macquarie	7.14%	7.30%	7.14%	7.48%	7.35%	7.40%	7.29%	7.35%	0.50%	0.25%
	St George	7.12%	7.22%	7.24%	7.22%	7.35%	7.29%	7.29%	7.19%	0.60%	0.25%
	Suburban Management	N/A	N/A	7.24%	7.80%	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).

Commercial Lending**		Variable Base Rates		Fixed Rates			
		Standard	Overdraft/L.O.C.	1 Year	2 Year	3 Years	5 Years
	ANZ Bank	8.17%	9.10%	7.93%	7.97%	7.95%	8.00%
	ING Bank	7.85%	N/A	7.80%	7.90%	7.95%	8.05%
	Citibank	8.00%	8.95%	7.90%	7.90%	7.90%	7.90%
	BankWest*	7.90%	9.00%	7.84%	7.90%	7.92%	7.97%
	Members Equity	7.99%	N/A	Available Upon Request			
	St George	8.80%	9.17%	8.21%	8.22%	8.18%	8.18%
	Westpac	8.15%	8.45%	7.97%	7.98%	7.99%	8.05%

**All commercial loan rates are a starting guide only - commercial rates are applied in accordance to the strength of an applicant, nature of security and credit score.

All rates displayed are based on borrowings of \$500,000.

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.