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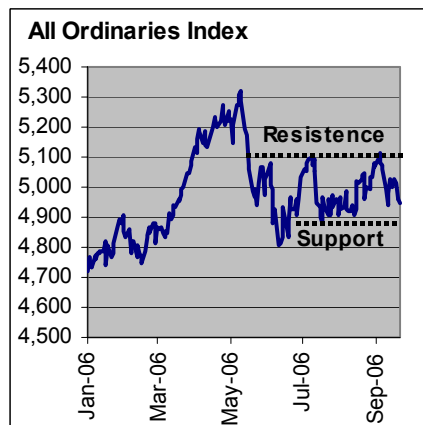
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QUOTE OF THE MONTH

"There came a time where the risk to remain tight in the bud was more riskful than the risk it took to blossom."

- Anais Nin

All Ordinaries Index



The All Ordinaries Index has clearly been volatile since the start of this year. Note the recently tight trading range (4,900 to 5,100 points) which denotes market uncertainty.

Market Data/Statistics

Official Cash Rate: 6.00%
U.S. Fed. Funds Rate: 5.25%
90 Day Bank Bill Rate: 6.23%
5 Year Bond Rate: 5.78%

All Ordinaries: 4948.44
Nasdaq: 2213
Dow Jones: 11,508

As at 25 September 2006

to the technology share crash of 2000 or broader decline of share prices in 1987).

Our domestic economy is simply in a transition period; the market has lost a large degree of its euphoria and is thinking about where to go next. Our firm does not believe current profit results warrant a pessimistic stance, although we believe that current market conditions warrant some degree of caution.

So you may ask what should I do?

We believe long-term investors should stay invested but vary their asset

INTEREST RATES AND THE ECONOMY

MIXED SIGNALS

The Australian share market is clearly entering a more restrained period after three years of exceptional growth.

BHP Billiton has recently released the largest profit in Australian share market history by far - a positive result of A\$13.7 billion. Even though this was above many analysts' forecasts, the shares decreased in value shortly thereafter.

People tend to rationalise why this happened. It should be noted that there is no real explanation, other than general market sentiment has changed from optimistic to cautious. This is not necessarily a bad thing, but means that market returns for the year are likely to be lower than the previous two as the share market trends sideways.

Example 1 - Dollar Cost Averaging

Scenario: Bill and Jane have taken out an investment loan of \$250,000 and are unsure about the future of the share market. They intend to purchase managed funds but don't want to buy at the peak of the market. They decide to adopt a dollar cost average strategy to reduce this risk.

Table with 6 columns: Period, Investment, Unit Price, Units Purchased, Cumulative Units Held, Value of Investment. Rows 1-5 showing decreasing unit prices and increasing units held.

Outcome: A purchase in the initial period of \$250,000 would have acquired 250,000 units. In period five, these units would be worth \$275,000. In this case Bill and Jane have avoided making a lump sum purchase at a relatively high price.

allocation for a more defensive portfolio weighting. We believe new investors should not be committing large amounts of money at this time but rather pursue a dollar cost average strategy of investing (refer to page one).

Please contact John Ross or David MacManus for further information.

John Ross (CFP), MCP Financial

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

My partner and I have saved a small deposit and are about to buy our first property. I have been advised to apply for a pre-approval prior to making a property offer. What are the benefits of a pre-approval?

A pre-approval is used for property purchases in which the location, size and price of the property are yet to be determined, much like the situation which you outlined above.

Under a pre-approval the bank assesses your application, including your employment, credit history, savings pattern and whether the proposed security will be acceptable under their policy guidelines (i.e. they may not loan above certain percentage values in particular circumstances/zonings such as inner city apartments). If they are happy with your income and savings patterns etc, they will issue a pre-approval, with full approval of the loan generally subject to the provision of security related documents such as a signed and dated Contract of Sale ('COS') and/or a receipt for the deposit placed on the property.

Generally, a pre-approval will allow you to enter the property market with the peace of mind that you will be able to purchase, or will be approved a loan conducive to your financial limits. This may give you a succinct indication of the properties that you will be able to afford.

LEGAL

Why is a deposit paid? Is there a minimum deposit amount?

When a Purchaser buys a property a deposit is paid as part payment towards the purchase price, and as a commitment to proceeding with the transaction. A deposit is usually paid when both the Vendor and Purchaser sign the Contract of Sale.

Although the deposit is usually 10% of the purchase price, the amount of deposit and timing of payment may be negotiated between the Vendor and Purchaser. However, there are some exceptions to the rule. For instance, if you are buying off the plan, the deposit may be capped at 5%. Another example is a mortgage bond which guarantees the purchaser will be eligible to pay for the property in full.

FINANCIAL PLANNING

What is the Reasonable Benefit Limit (RBL)?

The RBL imposes additional tax on superannuation withdrawals once your superannuation is in excess of prescribed limits for pension and lump sum withdrawals

I have heard that the RBL system will be abolished. Is this true and when will it happen?

Yes that is correct, subject to legislation passing Federal Parliament. The RBL system will be abolished from 1 July 2007. This has significant implications for super fund members. Please refer to the article entitled "The Big Bang – Changes for the Superannuation Industry" on page four for more information.

The Advantages and Disadvantages of a Company	
✓	A company is a separate legal entity.
✓	It has a legal personality to do what a natural person can do.
✓	A company officer is not liable for trade debts unless they personally guarantee a company loan.
✓	A company has a continual existence (going concern).
✓	A shareholder's liability is limited to the unpaid value of their share.
✗	Companies are highly regulated.
✗	Greater regulation and penalties result in time and resources spent ensuring the accuracy of registers, accounts and annual returns.
✗	A company is more expensive to establish and requires an annual fee payable to ASIC.
✗	There is always the possibility that a director will be required to guarantee business debt to obtain finance.
✗	Onerous director duties apply.
✗	Companies have less privacy as ASIC and members of the public can search company records.

Companies are a highly regulated business structure.

Company law in Australia comprises of case law (precedents etc) and statutory law such as the Corporations Act (2001). The Australia Investment and Securities Commission (ASIC) is the federal government body which administers company law.



THE ADVANTAGES AND DISADVANTAGES OF A COMPANY

A company is an entity which is owned by the shareholders and managed by its directors. It is governed by a set of rules called a constitution or replaceable rules contained by the Corporations Act (Cth) 2001.



LEGAL UPDATES

BANKRUPTCY LEGISLATION TO BE REVIEWED

The Attorney-General, in conjunction with the Insolvency and Trustee Services of Australia (ITSA), has recently announced an initiative to review current Bankruptcy Legislation.

The review will analyse whether current penalties remain an appropriate and effective deterrent of Bankruptcy related violations and, furthermore, will suggest modifications to the legislation if required.

CONVEYANCING REGULATIONS

The State Government has recently introduced a Bill to regulate the practices of non-legal conveyancers in Victoria. The Bill is set to introduce licensing regimes which requires all non-legal conveyancers to adhere to strict requirements before being allowed to practice. These include minimum educational requirements, professional indemnity insurance, work experience, cost disclosure as well as contribution to the Victorian property Fund.

PLANNING AND CONSTRUCTION

In an effort to maximise the effectiveness of its resources, the Victorian Government has decided to cull a number of procedures surrounding the construction of minor works such as swimming pools, pergolas, cubby houses and sail shades. This will be achieved by abolishing construction related permits for most ancillary modifications and/or additions. Other works proposed to be introduced in the near future include fences and single storey extensions.



THE BIG BANG - CHANGES FOR THE SUPERANNUATION INDUSTRY

Most of you are undoubtedly aware that there are significant changes proposed for the superannuation industry. The legislation enacting the amendments has not been passed in parliament yet, however, with the Federal Government controlling both houses of government and with Labor party support, there is little doubt that the amendments will take place. The bulk of the changes are proposed to come into effect from 1 July 2007.

These variations include the following:

- No tax on superannuation withdrawals after age sixty (60), whether by lump sum or aged pen-

sion;

- Superannuation not to be included in taxable income;
- Reasonable Benefit Limits (RBL's) to be abolished;
- No maximum limit on the amount you can withdraw by annual pension; and
- The previous age based contribution scales are to be replaced by a \$50,000 maximum cap for all taxpayers with transitional provisions for taxpayers over 50 years of age.

While the changes seem largely advantageous there will be those who benefit significantly and those for whom the changes may be detrimental to their future plans.

The RBL provisions impose additional tax on those with excess superannuation. Under the amendments, restrictions on superannuation are enforced at the contribution of the funds into a member's balance rather than at withdrawal. The big winners are those with significant savings already in a superannuation environment.

However, until 30 June 2007 we are operating under our existing legislation. There are a number of strategies that may be employed prior to this date to maximise your contributions and/or reduce income tax.



The Superannuation changes are designed to maximise the effectiveness of your contributions as you walk towards retirement.

MCP Financial will be conducting a seminar on the above superannuation changes titled "The Big Bang". Please contact John Ross or David MacManus if you have any queries relating to the proposed superannuation amendments.

John Ross (CFP), MCP Financial



FORTY YEAR MORTGAGES - WHAT YOU NEED TO KNOW

OVERVIEW

There has recently been a large focus in the media in relation to forty year mortgage terms. The traditional maximum offered by most lenders is a thirty (30) year term, however, with home loan affordability on the decline, longer timeframes are used as an incentive to allow borrowers to purchase their "dream home" by lending more. This article will look at the benefits and pitfalls of extending their mortgage terms.

IMPETUS FOR INTRODUCTION

Home loan affordability has been on the decline for several years, and with the recent increases in the Official Cash Rate, some lenders have realised that there is a market for consumers who wish to maximise their borrowing capacity through the reduction in periodic loan repayments.

Latest figures from the real estate institute of Australia state that new home buyers are now devoting over 30% of their income towards loan repayments, which is bordering on historically high levels. In Brisbane and Sydney total income expenditure on loan repayments is 31% and 36% respectively, which prompts many research outlets to claim that Australia has some of the most overpriced property in the world.

INTEREST - THE BASICS

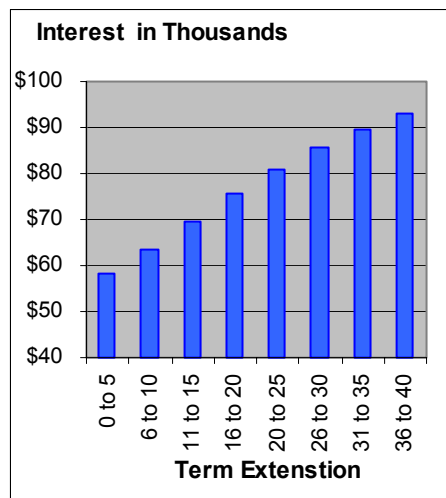
Interest is considered to be the cost of borrowing funds. This may seem rather elementary, but the longer the borrowing timeframe, the more interest will be accumulated. The cost of money increases over time (increases at a decreasing rate).

Rationally, this is because interest is compounded over time, which generally exacerbates the cost of loans such as mortgages. Therefore, total loan repayments will follow an upward trend if the loan term is extended.

The items represent the effects of extending a loan term in relation to aggregate interest charges. In this

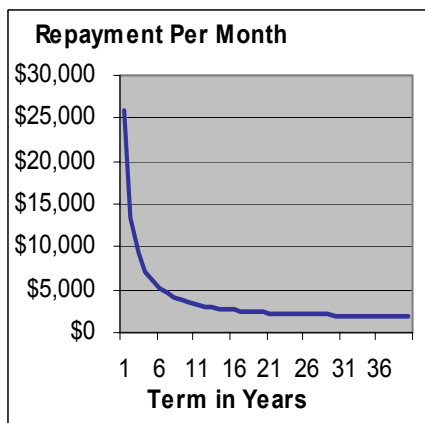
example the principal amount is \$300,000 and the underlying interest rates is the current Standard Variable Rate or 7.82% per annum.

Additional Interest Charges as Loan Term Increases



As the loan term increases, more and more interest applies.

Monthly Loan Repayments as Loan Term is Increased



Loan repayments decrease at a decreasing rate as the loan term is extended.

On the other side of the coin, loan repayments would therefore, from a mathematical perspective, decrease at a decreasing rate.

Extending the term of a mortgage by ten years may mean you have ten years longer to repay the loan, but this also means that you have to pay more interest.

WORKING EXAMPLE

Our example follows a young couple, John and Samantha, who are about to purchase a dwelling for owner oc-

cupancy. They have heard about forty year mortgages and have come to MCP Group for a working example on how useful a forty-year mortgage will be (e.g. will it allow them to increase their borrowing capacity). They are seeking to borrow as much as they can circa \$310,000. Please refer to the inflows and outflows worksheet for a breakdown of John and Samantha's income and expenses.

Working Example - Servicability (Month)		
Inflows	\$	\$
Income (John)	4500	
Income (Samantha)	1500	6000
Outflows		
Living Expenses	1800	
Entertainment	400	
Clothing	500	
Other	99	
Car Expenses	700	
Mortgage (Loan \$302,022 @ 9.32% p.a. for 30 Years)**	2500	5999
Monthly Surplus		1

** It should be noted that if the term of the loan is extended to 40 years, John and Samantha would be able to afford \$314,038 in borrowings at the rate of 9.32% per annum.

So we have established that John and Samantha would be able to afford more under the 40 year term. But at what cost? While \$2,500 can service more borrowings due to the marginal decrease in loan repayments, obviously additional interest will apply.

The following is a summary of the costs associated with extending the loan term by ten years and borrowing additional funds.

Summary		
Term	30	40
Borrowings	\$302,022	\$314,038
Additional Interest	\$597,978	\$852,065

Increasing the loan term from 30 to 40 years will allow John and Samantha to borrow approximately \$12,000 in additional funds.

However, the term of the loan will be extended by ten (10) years which means that they will have to pay an additional \$253,087 in interest charges.

IS THERE A PLACE IN THE MARKET FOR FORTY YEAR MORTGAGES?

The simple answer is "yes". Some advocates believe that extending the mortgage term decreases loan repayments and, as a result, increases borrowing capabilities. Conversely, many in the banking fraternity associate long-term mortgages as a high cost mechanism for borrowing an additional, albeit marginal, amount of funds.

The simple reality is that both parties are correct. Despite the high costs of increasing the loan term there is a place for forty-year loan term in the mortgage market.

These include situations where the borrower is going to repay more than the minimal monthly amount and in circumstances where a borrower's income is set to increase periodically (young professionals).

FORTY YEAR MORTGAGES AND HIGH HOUSING PRICES - THE REALITY

Like Reverse Mortgages, we may soon be about to see a rise in popularity for the forty-year mortgage term. It seems that high housing prices are here to stay, and therefore so are large mortgage loans.

Other ancillary consequences of high house prices includes a change in the way which society functions. Higher house prices may increase the requirement for both parents to work, increase the average age of marriage and raise the average age in which children leave home.

Evan Tepper, MCP Group

FINANCIER NEWS

RESIDENTIAL LENDING

Westpac Bank

Westpac can now lend to Company borrowers or take mortgages on property titles in company names at residential rates. They will also provide finance under their Premier Advantage Package with a carded discount of 0.70% (although some products are not available). MCP Group has the ability to negotiate larger discounts for stronger applications (excess collateral or serviceability).

Westpac service times have returned to standard levels in the residential lending area after significant delays due to volume constraints.

St George Bank

The St George Bank offers a low fee professional package which is worth considering for clients who anticipate that they will not need additional long term lending. Clients borrowing in excess of \$250,000 are entitled to a 0.70% discount off the variable rate plus, if they opt for an offset facility, fees are limited to \$11 per month.

St George's mortgage documentation is very simple and well understood by clients.

ANZ Bank

ANZ are now offering a 0.70% p.a. discount to all variable rate borrowings (regardless of split size) where combined borrowings are \$250,000 or greater (previously this was \$700,000). This applies only to new business under their Breakfree Package which costs \$340 per annum. The maximum discount for line of credit facilities remains at 0.60% per annum. ANZ service times are currently very reasonable.

ING Bank

ING Bank's Mortgage Simplifier is still one of the more popular facilities sought by borrowers with a one loan / one property simplified structure. The facility provided includes:

- A low ongoing interest rate of 7.15% p.a. variable (minimum loan is \$50,000)
- Establishment Costs for a one loan against one property structure are usually capped at \$220
- The facility has free redraw, no ongoing fees and flexibility to make surplus repayments
- Borrowers can be a corporate entity or a trust
- Deferred establishment fees apply within the first four years of settlement
- It is possible to have a fixed portion - ING has very competitive fixed rates at present to complement this facility.

In addition ING Bank's turnaround times with respect to loan assessment is currently well above the industry average.

IMB Limited

IMB's professional package is an excellent option for clients seeking to fund \$200,000 to \$250,000 and require an offset style facility with low ongoing costs. In summary:

- The interest rate is 7.32% (includes a 0.50% variable rate discount)
- Establishment Costs are \$313.50 for the preparation of legal documentation (this includes one free standard property valuation)
- No Ongoing Fees
- Free Offset Account
- Transactions via Internet / Phone Bank
- Access to funds with the use of any bank's ATM at no charge.

Deferred establishment fees are \$1,500 if the loan is repaid or refinanced within the first three years.

COMMERICAL LENDING

Ashe Morgan Commercial

This aggregator turned lender offers fully secured commercial property solutions to both investors and occupiers. They will fund most commercial security types in most areas which have a population exceeding 5000.

They also specialise in commercial property development. In addition to their traditional "full documentation" type lend, their "Lite Documentation" and "One Documentation" products will remove the necessity for financials and returns where the client's accountant is willing to support the applicants ability to repay their debt.

MCP GROUP FAREWELLS SHARON NIXON

MCP Group would like to farewell Sharon Nixon who has unfortunately left MCP Group for family and travel reasons. In the positions of Group Manager and customer services manager, Sharon played a pivotal role in relation to our client services improvements as well as streamlining the broader functioning of our Group's offices.

We would like to thank her for her contribution to our Group and wish her well in her new part time role as a property assistant for Baker's Delight.

MCP FOOTY TIPPING SEASON 2006

Congratulations and many thanks to all the MCP footy tipping participants in season 2006.

We raised \$840 for the Smith Family "Learning for Life" Program. This comprised of \$420 from our tippers and a matching contribution from MCP Group.

We look forward to your participation in season 2007.



Our youngest tipper Curtis Wilson celebrates his equal last placement prize of \$42.

** The information and the contents of this newsletter are general in nature. Please contact MCP Group for advice relating to your particular circumstances.*

INDICATIVE INTEREST RATE SCHEDULE - AS AT 29 SEPTEMBER 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%	7.29%	7.29%	7.29%	7.45%	0.625%	0.20%
	CBA	7.12%	7.22%	7.31%	7.22%	7.20%	7.20%	7.20%	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%	7.29%	7.49%	0.60%	0.25%
OTHER LENDERS	AMP Bank	7.17%	7.37%	7.23%	7.38%	7.15%	7.25%	7.25%	7.29%	0.50%	0.25%
	Adelaide Bank	7.82%	7.92%	7.29%	7.82%	7.35%	7.40%	7.40%	7.50%	0.60%	0.25%
	BankWest	7.10%	7.35%	7.15%	7.74%	7.18%	7.18%	7.18%	7.25%	0.50%	0.25%
	Citibank	7.26%	7.47%	7.12%	7.46%	7.30%	7.30%	7.12%	7.35%	0.65%	0.25%
	GE Money	N/A	N/A	7.39%	7.49%	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	7.14%	7.74%	7.15%	7.74%	7.19%	7.19%	7.19%	7.29%	0.50%	0.25%
	Macquarie	7.14%	N/A	7.14%	7.48%	7.35%	7.45%	7.55%	7.60%	0.50%	0.25%
	St George	7.12%	7.22%	7.24%	7.22%	7.35%	7.35%	7.35%	7.49%	0.60%	0.25%
	Suburban Management	N/A	N/A	7.24%	7.74%	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%	7.91%	7.92%	7.90%	7.96%
	ING Bank	7.85%	N/A	7.80%	7.90%	7.95%	8.05%
	Citibank	8.20%	8.95%	7.75%	8.05%	7.70%	8.05%
	BankWest*	7.90%	9.00%	7.80%	7.90%	7.95%	8.05%
	Members Equity	7.99%	N/A	Available Upon Request			
	St George	8.80%	9.17%	8.39%	8.39%	8.38%	8.38%
	Westpac	8.15%	8.45%	7.90%	7.95%	7.95%	7.99%

**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.