

ASG's Education Program™

Information for Media Representatives



Australian
Scholarships
Group

SUPPORTING CHILDREN'S EDUCATION

Effective Date: 1 January 2010

Information for Media Representatives

ASG's Education Program™

The Australian Scholarships Group (ASG) has prepared this information specifically as a resource for media representatives. It introduces ASG's Education Program™ and the options available under the organisation's Member-funded scholarship and bursary plans.

ASG's unique benefit program is flexible, offers a range of options, and is designed specifically for education. As Members of ASG, parents and grandparents participate in helping to secure their children's and grandchildren's complete education – an important gift in today's climate where the costs of education are ever-increasing.

ASG funds fulfil the requirements of a 'Scholarship Plan' under the Income Tax Assessment Act 1997, which attracts a tax concession meaning children's benefits are optimised. With more than \$1.6 billion in funds under management and ranked 940 in the 2008 *BRW Top 1000 Companies* ranked by revenue, ASG offers a unique, convenient and proven way to plan for the future costs of education.

For additional information, please refer to:

- ASG's Education Program™ Combined Financial Services Guide and Product Disclosure Statement
- ASG's Future Education Program Combined Financial Services Guide and Product Disclosure Statement
- ASG's Report in Brief
- ASG's Annual Report
- The Media Centre on ASG's website – www.asg.com.au/media



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Profile

Australian Scholarships Group

The Australian Scholarships Group (ASG) is Australia's leading friendly society specialising in education benefits.

- With more than \$A1.6 billion in funds under management, ASG has helped more than 370,000 Member parents plan for the costs of their children's education.
- In the past financial year, ASG supported more than 51,000 students in their secondary or post-secondary education.
- ASG has returned more than \$1 billion in education benefits to Members and their children since the organisation's inception.
- As a not-for-profit organisation, ASG Members share the benefits generated by the endeavour.

ASG'S BEGINNINGS

In 1974 a small group of parents established ASG as an independent not-for-profit organisation enabling a cooperative of Member parents to work together with the aim of providing educational opportunities for their children. The friendly society movement was chosen as the vehicle best suited for this endeavour. The decision was made primarily on the basis of a shared commitment to the key principles of mutuality. ASG is a member of the Friendly Societies of Australia, which is represented by the industry organisation Abacus Australian Mutuals.

PLANNING FOR EDUCATION

ASG's Education Program™ offers a unique, convenient and proven way for people to plan for their children or grandchildren's future education. The program can be tailored to suit the needs and budgets of most families.

At its foundation, **ASG's Education Program™** provides for basic secondary and post-secondary costs, with contributions starting from around \$11 per week. Parents and grandparents can also choose to supplement their program by putting aside additional funds towards their children or grandchildren's primary, secondary and post-secondary education with contributions beginning from around \$15 per week.

ASG's Future Education Program offers people the ability to plan for the education costs of their future children. This is a unique concept and the first program of its type available in Australia. **ASG's Future Education Program** contributions start from \$15 per week.

ASG's Future Education Program and supplementary solutions provide flexibility, including an alternative for them to be claimed as tax-paid friendly society bonds.

As ASG funds are designed specifically for education, they fulfil the requirements of a 'scholarship plan' under the Tax Act. This allows them to receive taxation advantages on the education benefits paid. For more information about ASG and **ASG's Education Program™**, phone 1800 648 945 or visit www.asg.com.au

FUTURE EDUCATION COSTS

ASG encourages parents to plan for their children's education just as they would plan for other important events during their families' lives. Over the past 20 years, education costs have risen substantially. Information from the Australian Bureau of Statistics shows that the education fees component of the Consumer Price Index has been rising at more than double the rate of inflation.

During its 35 years of operation, ASG has collated and conducted a series of studies centered on future education costs as part of its mission to help parents provide educational opportunities for their children. Information about the costs associated with education, calculators, and education-related resources can be found at ASG's website: www.asg.com.au in the Resources Centre section.

THE VALUE OF EDUCATION

ASG Members value education and perceive it as a major foundation in life. Education provides a means for their children to pursue their dreams, fulfil their potential, and prepares them for future success. ASG Members place high importance on choosing schools that meet the needs of their children throughout all stages of education. They are aware of the benefits of saving and the importance of planning to meet the education goals they have set for their children. An ASG poll revealed the majority of survey respondents believe that the benefits of education outweigh the costs.

SCHOOL FEE PAYMENTS

Managing the payment and collection of independent school fees and costs effectively and conveniently is emerging as a major education issue for parents and schools. Families often face the challenge of finding lump sum amounts for school fees and costs from the family budget, which can place their households under unnecessary stress, while schools seek solutions to collect school fees so they enhance their cash flow and reduce administration.

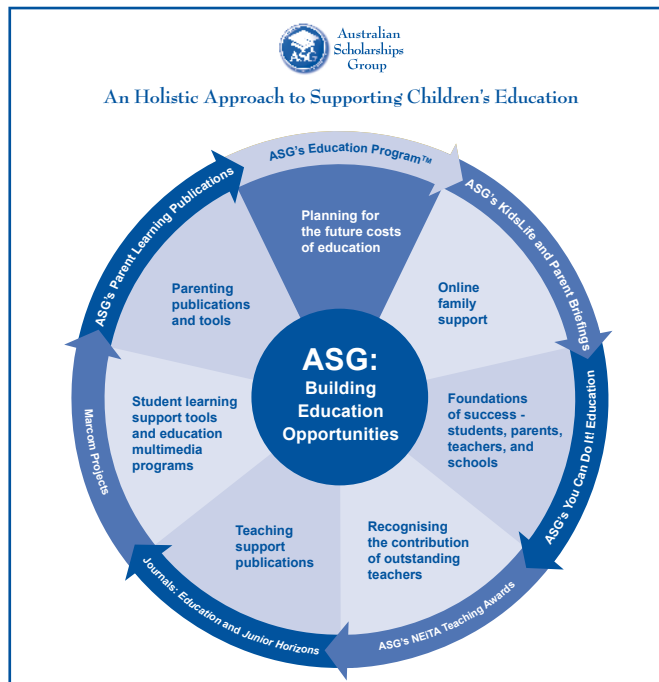
ASG's School Plan is a payment plan for managing school fees and costs that offers significant benefits for both families and schools. For more information, phone 1800 337 419 or visit www.schoolplan.com.au

Profile continued...

Australian Scholarships Group

COMMUNITY EDUCATION SUPPORT INITIATIVES

ASG is committed to supporting children, parents and teachers through a range of initiatives as summarised below.



SUPPORTING EDUCATION

ASG supports the teaching profession through the **NEiTA Teaching Awards**, which was established in 1994, and helped pioneer the recognition of the important contribution teachers make to our society. NEiTA is the only teaching awards program that calls on the real beneficiaries of great teaching – the stakeholders of education – to recognise and celebrate the contributions of teachers. While education issues and policies can divide public opinion, one matter that unites educationists, parents, and students in helping a child to learn is the importance of an inspirational teacher. When a teacher demonstrates passion, enthusiasm, and skill for the subject matter, magic can happen in the mind of a student. For more information, phone 1800 624 487 or visit: www.neita.com.au

Education Horizons is ASG's educational journal for the teaching profession. It focuses on professional self-development, new teaching techniques and practices, and presents groundbreaking articles by Australian and overseas educators.

Junior Horizons is designed to support and inspire those in early childhood education. It combines current theory and practical information to help educators nurture and guide children to reach their potential.

SUPPORTING THE COMMUNITY

ASG actively supports families in the community by building relationships with organisations such as Early Childhood Australia, The Smith Family, Melbourne Graduate School of Education – the University of Melbourne, Grandparents Australia, Taralye, May Gibbs Children's Literature Trust, Cognition Education Limited (NZ), LifeLine's Kidsline (NZ), and Life Education Trust (NZ).

SUPPORTING PARENTS AND CHILDREN

ASG has published and distributed books for parents and children covering topical issues such as bullying, choosing careers, over-scheduling of children, study aids and motivation. ASG offers information, programs and services to assist Members and non-members.

ASG's KidsLife Foundation, through its websites www.kidslife.com.au and www.parentbriefings.com.au offers access to hundreds of articles to assist families to understand and address their children's developmental needs. These free online resources provide helpful family support and information through monthly and quarterly email newsletters.

ASG's You Can Do It! Education aims to provide children with Dr Michael Bernard's foundations of achievement – confidence, persistence, organisation, getting along, and resilience, and the attributes to achieve social and emotional wellbeing in school, work, and the world of tomorrow. Many thousands of primary and secondary schools across Australia have ASG's You Can Do It! Education resources. ASG's You Can Do It! Education's *Early Childhood Program* is the leading social-emotional curriculum available for the early-childhood setting.

The *ASG Student Social and Emotional Health Report* unveiled groundbreaking findings into the social and emotional health of more than 10,000 Australian students from the early years of schooling to senior secondary school levels. For more information about ASG's You Can Do It! Education, phone 1800 803 135 or visit www.youcandoit.com.au or to view the report visit www.asg.com.au/socialemotional

Marcom Projects is ASG's educational products division. Marcom offers exclusive educational DVDs that include more than 4000 DVD and CD-ROM programs to support the learning curriculum. Marcom Projects has exclusive distribution arrangements with a number of respected program producers from around the world. For more information phone 07 3340 8900 or visit www.marcom.com.au

NATIONAL NETWORK

ASG's Head Office is situated in Melbourne, Australia with a further 15 offices located throughout Australia and New Zealand and more than 130 licensed Counsellors. ASG employs more than 100 staff.

CONTRIBUTIONS

Members contribute to funds

(see chart page 5)

- Contributions can be made monthly, quarterly, half-yearly or yearly.
- Members can also choose:
 - a paid-in-fulfill option for The Education Fund, or
 - lump sum contribution(s) for the Supplementary Education Program, and Future Education Program.

OPTIONS

The Education Fund (TEF)

- This foundation program provides for basic secondary education costs and post-secondary or tertiary scholarships in the form of an independent allowance paid to nominated children.

Members can also opt to supplement their program to suit their individual needs with the Supplementary Education Program.

Supplementary Education Program (SEP)

- **Primary benefit election** helps provide for the cost of primary school fees/costs etc. Child must be under the age of two at enrolment.
- **Secondary benefit election** gives the option to provide for future secondary benefits to assist with independent or private school fees/costs etc.
- **Tertiary benefit election** helps provide for post-secondary/tertiary costs such as HECS, fees, boarding etc.

The Future Education Program (FEP)

- Designed as a vehicle for people who are planning to have children in the future, or for future grandparents, to begin saving for education. Members can elect to receive benefits during their children's primary, secondary or tertiary years.

INVESTMENTS

Money is pooled and invested

- External Fund Managers are engaged to invest funds (Members' contributions).

Tax Advantages

- The Society operates the Program as a Scholarship Plan under the Tax Act, which allows the Society to claim a deduction for education benefits paid. This benefit is passed to the pool to provide enhanced benefits.

EDUCATION BENEFITS

The Education Fund (TEF)

Secondary Schooling

- During secondary studies the Member will receive a payment annually over their child's secondary schooling years.

PLUS

Post-secondary or Tertiary Studies

- When the nominated child commences an approved full-time post-secondary course, the child will be eligible to participate in tax-enhanced scholarship payments that are generated by the pooled earnings of the fund.

EDUCATION BENEFITS (continued)

Supplementary Education Program (SEP)

Primary Benefit Election

- The Member's Benefit can be claimed over the last two to six years of primary school, as nominated by the Member.
- The primary education benefits (accumulated bonuses) may be claimed in the form of a tax-paid maturity benefit either as a lump sum or spread over the last two years of primary school, as nominated by the Member.

Secondary Benefit Election

This option provides for the child's secondary schooling years. The Member's Benefit can be claimed in one of the following ways:

- The first payment commences in the calendar year immediately following the nominated child's 12th birthday (6 years of study) or 13th birthday (5 years of study); and subsequently at the beginning of each further year of secondary study (5 or 6 years).
- Members may claim a lump sum, tax-paid maturity benefit during or after the child's senior-secondary schooling years (Years 11 and 12), which is equivalent to the accumulated bonuses on the Member's Account.

Tertiary Benefit Election

- This option provides for annual tertiary benefits to be paid at the start of each year for a period of one to six years depending on the course duration.

- Benefits include a return of Member's capital, together with tax-enhanced education benefits (generated by the pooled earnings of the Fund) paid to nominated children.

The Future Education Program (FEP)

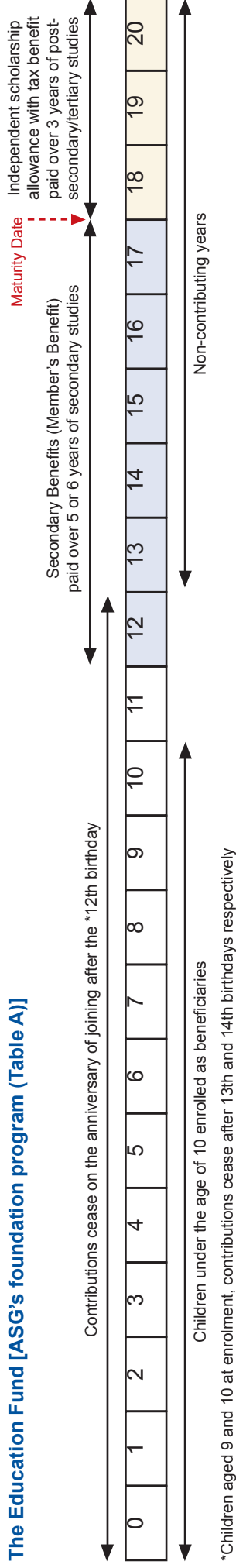
As with the SEP, education benefits are paid in the nominated child's primary, secondary or post-secondary education years, depending upon which election has been made by the Member.

Note: Flexibility enables Members to move from Primary to Secondary to Tertiary elections depending on their individual needs.

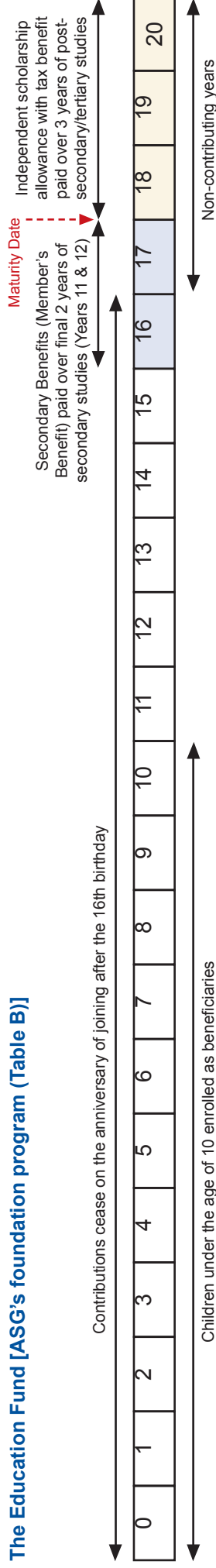


How it Works continued....

The Education Fund [ASG's foundation program (Table A)]



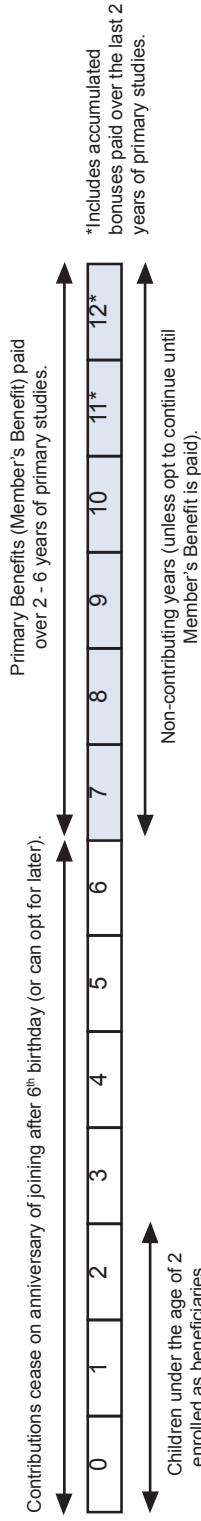
The Education Fund [ASG's foundation program (Table B)]



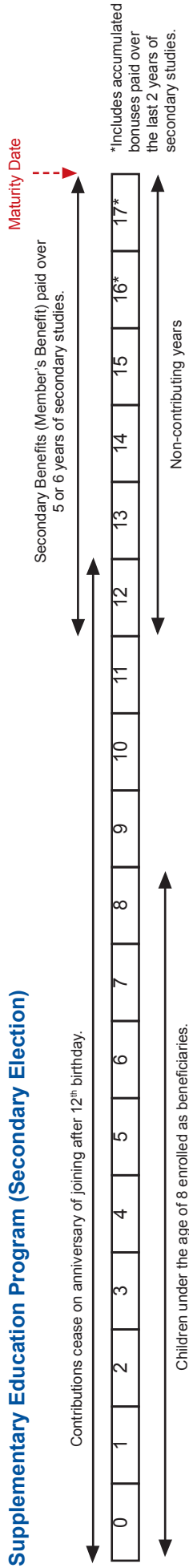
The above represents a general overview of the contribution and benefit years of The Education Fund. It is important that they are viewed in conjunction with the registered Product Disclosure Statement (PDS). Applications for benefits may only proceed on the application forms attached to the PDS.

How it Works continued....

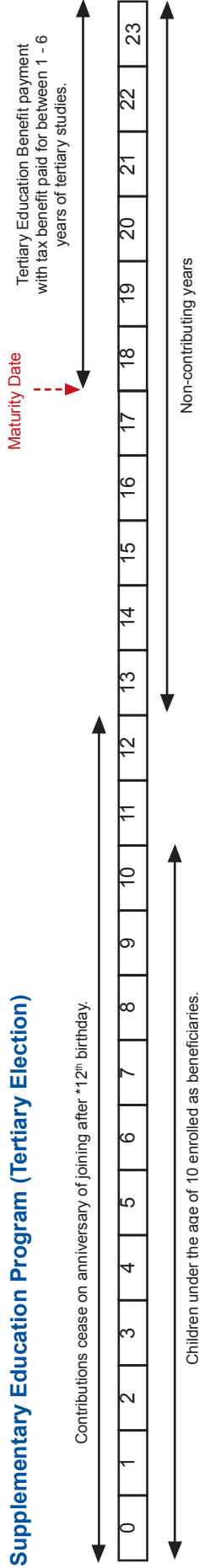
Supplementary Education Program (Primary Election)



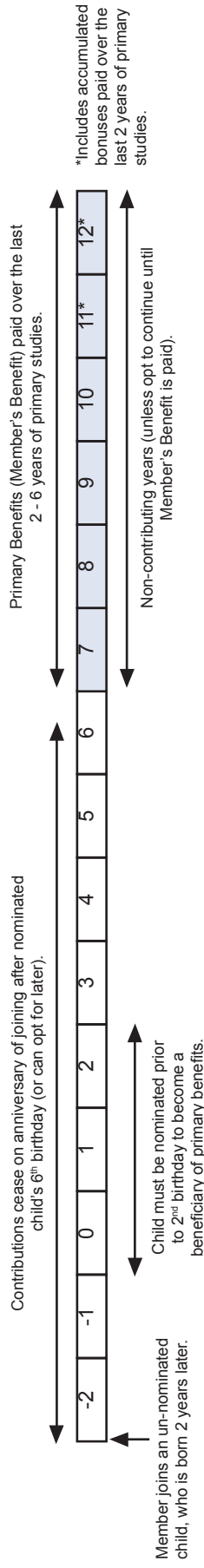
Supplementary Education Program (Secondary Election)



Supplementary Education Program (Tertiary Election)



Future Education Program



*Children aged 9 and 10 at enrolment, contributions are payable for 5 years.

The above represents a general overview of the contribution and benefit years of ASG's Education Program and its component funds. It is important that they are viewed in conjunction with the registered Product Disclosure Statement (PDS). Applications for benefits may only proceed on the application forms attached to the PDS.

Features and Benefits

	The Education Fund (TEF)	The Supplementary Education Program (SEP)	The Future Education Program (FEP)
Purpose	Provides support for the general costs of secondary school education as well as an independent scholarship allowance for full-time post-secondary students.	Supplements TEF. Provides additional support in preparing for primary, secondary or post-secondary costs.	Enables prospective parents or grandparents to prepare for primary, secondary or tertiary education costs of future children (before they are born).
Who can join?	Anyone, so long as the nominated beneficiary is a child under 10 years old.	Must be a Member of The Education Fund. The SEP Primary benefit election is open to children up to enrolment age of 2 next birthday. The SEP Secondary benefit election is open to eligible children of enrolment ages 1-8 next birthday. The SEP Tertiary benefit election is open to children of enrolment ages 1-10 next birthday.	Anyone that wants to plan for the education costs of children before they are born.
Contribution amount	Fixed amounts determined by age of child at enrolment. Minimum \$11 per week. Indexed at 8% p.a.	Flexible. Minimum \$15 per week. Indexed at 8% p.a. Lump sum contributions (Minimum initial \$1,000 contribution).	Flexible. Minimum \$15 per week. Indexed at 8% p.a. Lump sum contributions (Minimum initial \$1,000 contribution).
Frequency of contributions	Regular (monthly, quarterly, half-yearly, yearly) or single lump sum (paid-in-full).	Regular (monthly, quarterly, half-yearly, yearly) or lump sum.	Regular (monthly, quarterly, half-yearly, yearly) or lump sum
Period of contributions	Dependant upon the child's age at enrolment and the contribution schedule selected.	A minimum of 5 years and \$5,000 total contributions.	A minimum of 5 years and \$5000 total contributions.
Method of contribution	Direct debit or cheque.	Direct debit or cheque.	Direct debit or cheque
Member's benefits	Paid to Member over each year of the child's secondary schooling.	Primary benefit election - Paid to Member over the last 2 - 6 years of primary schooling. Secondary benefit election – Paid to Member over 5 - 6 years (as applicable) of child's secondary schooling. Tertiary benefit election – Paid to Member over each year of child's post-secondary/tertiary studies.	Primary benefit election - Paid to Member over the last 2 - 6 years of primary schooling. Secondary benefit election – Paid to Member over 5 - 6 years (as applicable) of child's secondary schooling. Tertiary benefit election – Paid to Member over each year of child's post-secondary/tertiary studies.
Scholarship benefits	Paid to beneficiary (student) over the 3 years of an approved post-secondary course.	Primary benefit election – Paid as a Maturity Benefit over last two years of primary school. Secondary benefit election – Paid as Maturity Benefit over years 11 & 12. Tertiary benefit election – Paid to beneficiary (student) over each year of an approved post-secondary/tertiary course.	Primary benefit election – Paid as a Maturity Benefit over last two years of primary school. Secondary benefit election – Paid as Maturity Benefit over years 11 & 12. Tertiary benefit election - Paid to beneficiary (student) over each year of an approved post-secondary/tertiary course.
Family Protection	Available for all Members making regular contributions; not available for single contribution (Paid in full) option. This family protection cover ceases on the Member's 70 th birthday.	Available for all Members making regular contributions. Not available for lump sum contributions. This family protection cover ceases on the Member's 70 th birthday.	Available for all Members making regular contributions. Not available for lump sum contributions. This family protection cover ceases on the Member's 70 th birthday.
Contingency Fund	Yes	No	No

Features and Benefits continued....

	The Education Fund (TEF)	The Supplementary Education Program (SEP)	The Future Education Program (FEP)
Authorised Investments	Balanced funds using defensive assets such as fixed interest securities and cash, and in growth assets such as equities and property.	Balanced funds using defensive assets such as fixed interest securities and cash, and in growth assets such as equities and property.	Balanced funds using defensive assets such as fixed interest securities and cash, and in growth assets such as equities and property.
Professional fund management	Yes	Yes	Yes
Tax advantages	Operates as a 'Scholarship Plan' under the Tax Act, which attracts tax concessions meaning children's benefits are optimised. Members Benefits withdrawn at any time after 10 years will pay no personal tax on a tax paid bond (subject to 125% contribution rule).	Operates as a 'Scholarship Plan' under the Tax Act, which attracts tax concessions meaning children's benefits are optimised. Members Benefits withdrawn at any time after 10 years will pay no personal tax on a tax paid bond (subject to 125% contribution rule).	Operates as a 'Scholarship Plan' under the Tax Act, which attracts tax concessions meaning children's benefits are optimised. Members Benefits withdrawn at any time after 10 years will pay no personal tax on a tax paid bond (subject to 125% contribution rule).
Fees	Establishment fee: \$149 (Table A) \$89 (Table B) Membership fee: \$2 p.a. Contingency fund: \$4 p.a. (Table A) \$2 p.a. (Table B) Family Protection Program: \$6 p.a. (Table A) \$4 p.a. (Table B) Administration fee: \$36 p.a. Ongoing investment management cost: 1.25% p.a.	Establishment fee: \$89 Membership fee: \$2 p.a. Initial management cost: \$10 per month for 24 months Administration fee: \$24 p.a. Ongoing investment management fee: 1.5% p.a. Family Protection Program: \$8 p.a. per \$1000 of contributions.	Establishment fee: \$149 Membership fee: \$2 p.a. Initial management cost: \$10 per month for 24 months Administration fee: \$24 p.a. Ongoing investment management cost: 1.5% p.a. Family Protection Program: \$8 p.a. per \$1000 of contributions.
Early termination	Members can surrender at any time and receive the net contributions to the fund less contribution refunds, or the balance in the Member's account, whichever is the lesser.	If surrender is prior to the child's 17th birthday, Members will receive the net contributions to the fund less contribution refunds, or the balance in the Member's account, whichever is the lesser. In the event that surrender is after the nominated child's 17th birthday the surrender value is equal to the balance in the Member's Account, including accumulated bonuses.	If surrender is prior to the 10th anniversary of commencement of contributions, Members will receive the net contributions to the fund less contribution refunds, or the balance in the Member's account, whichever is the lesser. If surrender is after the 10th anniversary of commencement the surrender value is equal to the balance in the Member's Account, including accumulated bonuses. If surrendering prior to nominating an eligible child, Members will receive the balance in the Member's Account.
Access to complementary services	Yes – parenting information, career guidance, school fee payment service.	Yes – parenting information, career guidance, school fee payment service.	Yes – parenting information, career guidance, school fee payment service.
Access to discounted products	Yes – home loans, health insurance, educational products.	Yes – home loans, health insurance, educational products.	Yes – home loans, health insurance, educational products.

Contributions and Projections* - Examples

EXAMPLE 1: TEF

For a child that is aged 1 next birthday enrolled in the foundation program (TEF) only:

- Contribution (weekly) \$10.64
- ^Secondary benefits \$9,589
- Tertiary benefits \$10,538 - scholarship and tax benefit
- *Total TEF projections \$20,127 - secondary and tertiary benefits

^ Based on 6 years of secondary school

EXAMPLE 3: TEF & SEP (Primary, Secondary and Tertiary)

If a child is age 1 next birthday, and the parents choose to supplement their child's TEF with a SEP for each of the primary, secondary and tertiary years starting at the basic \$15 per week, then the following would be applicable:

- Contribution (weekly) \$55.64 (\$10.64 TEF + \$45 SEP (3x\$15))
- Primary benefits \$6,295 [\$6,295 SEP Primary]
- ^Secondary benefits \$28,474 [\$9,589 TEF + \$18,885 SEP Sec]
- Tertiary benefits \$40,440 [\$10,538 TEF + \$29,902 SEP Ter]
- *Total TEF and SEP projections \$75,209

^ Based on 6 years of secondary school

EXAMPLE 2: TEF & SEP

For a child that is aged 1 next birthday where the parents choose to supplement their child's program for the secondary years (SEP) at the basic \$15 per week level:

- Contribution (weekly) \$25.64 (\$10.64 TEF + \$15 SEP)
- ^Secondary benefits: \$28,474
- Tertiary benefits \$10,538 - scholarship and tax benefit
- *Total TEF and SEP projections \$39,012 - secondary and tertiary benefits

^ Based on 6 years of secondary school

EXAMPLE 4: FEP

If a Member joins the Future Education Program (FEP) starting at the basic \$15 per week and contributing for 10 years, then the following would be applicable:

- Contribution (weekly) \$15.00
- Primary benefit \$13,770
- *Total FEP projections \$13,770

* Projections assume a gross investment return of 7.3% p.a. resulting in a bonus crediting rate of 4.0% for the TEF and 3.7% for the SEP, which is after tax and charges. No guarantee of future investment earnings on benefit amount is implied or expressed.

Illustrative Contributions and Projections Tables[^] - Age 1 Next Birthday

Grey = TEF only Blue = SEP Contributions Green = SEP Secondary Purple = SEP Tertiary White = Combined TEF & SEP

TEF CONTRIBUTIONS - 12 YEARS (TEF B - 16 YEARS)										PROJECTIONS						
Contributions			Secondary Benefits (Member's Benefits)							Tertiary Benefits (Includes Tax Benefit)						
Weekly Rate	Monthly Rate	Quarterly Rate	Total Contributions Paid to the Society	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	(1) Total Secondary Benefit	Year 1	Year 2	Year 3	(3) Scholarship + Tax Benefit	(1+3) Total TEF Projections	
TEF A	\$10.64	\$46.11	\$138.32	\$10,164.85	\$1,307	\$1,412	\$1,525	\$1,647	\$1,778	\$1,920	\$9,589	\$3,019	\$3,488	\$4,031	\$10,538	\$20,127
TEF B	\$6.91	\$29.93	\$89.78	\$10,259.97	\$0	\$0	\$0	\$4,594	\$4,962	\$9,556	\$2,551	\$2,924	\$3,379	\$8,834	\$18,390	

SEP CONTRIBUTIONS										PROJECTIONS					
Contributions			Option A: Secondary Benefit Election							Option B: Tertiary Benefit Election					
Weekly Rate	Monthly Rate	Total Contributions Paid to the Society	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Member's Benefit (A)	Accumulated Bonuses (B)	Total Secondary Option (A&B)	Tertiary Year 1	Tertiary Year 2	Tertiary Year 3	Tertiary Option over 3 Yrs (C)
\$15.00	\$65.00	\$14,577.22	\$1,902	\$2,054	\$2,218	\$2,396	\$5,054	\$5,261	\$14,190	\$4,695	\$18,885	\$8,641	\$9,801	\$11,460	\$29,902
\$20.00	\$86.67	\$19,496.76	\$2,569	\$2,774	\$2,996	\$3,236	\$6,871	\$7,151	\$19,084	\$6,513	\$25,597	\$11,692	\$13,359	\$15,618	\$40,669
\$25.00	\$108.33	\$24,416.30	\$3,236	\$3,495	\$3,775	\$4,077	\$8,688	\$9,040	\$23,979	\$8,332	\$32,311	\$14,744	\$16,917	\$19,776	\$51,437
\$30.00	\$130.00	\$29,335.84	\$3,903	\$4,216	\$4,553	\$4,917	\$10,505	\$10,930	\$28,874	\$10,150	\$39,024	\$17,795	\$20,475	\$23,935	\$62,205
\$40.00	\$173.33	\$39,174.92	\$5,238	\$5,657	\$6,109	\$6,598	\$14,139	\$14,709	\$38,663	\$13,787	\$52,450	\$23,897	\$27,591	\$32,251	\$83,739
\$50.00	\$216.67	\$49,014.00	\$6,572	\$7,098	\$7,666	\$8,279	\$17,773	\$18,488	\$48,452	\$17,424	\$65,876	\$30,000	\$34,707	\$40,567	\$105,274
\$75.00	\$325.00	\$73,684.26	\$9,935	\$10,730	\$11,588	\$12,515	\$26,932	\$28,012	\$73,123	\$26,589	\$99,712	\$45,379	\$52,641	\$61,526	\$159,546
\$100.00	\$433.33	\$98,354.53	\$13,298	\$14,362	\$15,511	\$16,752	\$36,989	\$37,537	\$97,793	\$35,756	\$133,549	\$60,758	\$70,575	\$82,485	\$213,818

[^] Projections provided to individual Members will reflect outcomes based on the age of the child, the benefit fund/s selected and the state/territory in which the child resides. Projections can only be provided to Members by an authorised ASG Counsellor.

Notes:

- * Assumes a gross investment return of 7.3% p.a., resulting in a bonus-crediting rate of 3.7% for the SEP and 4.0% for the TEF, which is after tax and charges.
- * No guarantee of future investment earnings or benefit amount is implied or expressed.
- * Contributions to the fund will increase by 8% p.a.. This does not apply to the membership fee, contingency fund fee, administration fee and family protection contribution.
- * The tertiary benefits include a tax benefit that represents the relevant amount of income tax the Society is expected to recoup and include as part of the student's scholarship benefit.
- * These projection tables must be read in conjunction with the Product Disclosure Statement.

Illustrative Contributions and Projections Tables[^] - Age 1 Next Birthday

Grey = TEF only Blue = SEP Contributions Green = SEP Secondary Purple = SEP Tertiary White = Combined TEF & SEP

SEP CONTRIBUTION AMOUNT		COMBINED TEF & SEP PROJECTIONS											Total Projection Figure		
		COMBINED TEF & SEP CONTRIBUTIONS		Secondary Benefits						Tertiary Benefits				Total Tertiary Option	
		TEF plus SEP Secondary	Total Contributions Paid to the Society	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Total Secondary Option - TEF + SEP	Year 1	Year 2			Year 3
Weekly Rate	Monthly Rate	Weekly Rate	Monthly Rate	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Total Secondary Option - TEF + SEP	Year 1	Year 2	Year 3	Total Tertiary Option	Total Projection Figure
\$15.00	\$111.11	\$25.64	\$111.11	\$3,209	\$3,466	\$3,743	\$4,043	\$6,832	\$7,181	\$28,474	\$3,019	\$3,488	\$4,031	\$10,538	\$39,012
\$20.00	\$132.78	\$30.64	\$132.78	\$3,876	\$4,186	\$4,521	\$4,883	\$8,649	\$9,071	\$35,186	\$3,019	\$3,488	\$4,031	\$10,538	\$45,724
\$25.00	\$154.44	\$35.64	\$154.44	\$4,543	\$4,907	\$5,300	\$5,724	\$10,466	\$10,960	\$41,900	\$3,019	\$3,488	\$4,031	\$10,538	\$52,438
\$30.00	\$176.11	\$40.64	\$176.11	\$5,210	\$5,628	\$6,078	\$6,564	\$12,283	\$12,850	\$48,613	\$3,019	\$3,488	\$4,031	\$10,538	\$59,151
\$40.00	\$219.44	\$50.64	\$219.44	\$6,545	\$7,069	\$7,634	\$8,245	\$15,917	\$16,629	\$62,039	\$3,019	\$3,488	\$4,031	\$10,538	\$72,577
\$50.00	\$262.78	\$60.64	\$262.78	\$7,879	\$8,510	\$9,191	\$9,926	\$19,551	\$20,408	\$75,465	\$3,019	\$3,488	\$4,031	\$10,538	\$86,003
\$75.00	\$371.11	\$85.64	\$371.11	\$11,242	\$12,142	\$13,113	\$14,162	\$28,710	\$29,932	\$109,301	\$3,019	\$3,488	\$4,031	\$10,538	\$119,839
\$100.00	\$479.44	\$110.64	\$479.44	\$14,605	\$15,774	\$17,036	\$18,399	\$37,867	\$39,457	\$143,138	\$3,019	\$3,488	\$4,031	\$10,538	\$153,676

[^] Projections provided to individual Members will reflect outcomes based on the age of the child, the benefit fund/s selected and the state/territory in which the child resides. Projections can only be provided to Members by an authorised ASG Counsellor.

Notes:

- * Assumes a gross investment return of 7.3% p.a. resulting in a bonus-crediting rate of 3.7% for the SEP and 4.0% for the TEF, which is after tax and charges.
- * No guarantee of future investment earnings or benefit amount is implied or expressed.
- * Contributions to the fund will increase by 8% p.a.: This does not apply to the membership fee, contingency fund fee, administration fee and family protection contribution.
- * The tertiary benefits include a tax benefit that represents the relevant amount of income tax the Society is expected to recoup and include as part of the student's scholarship benefit.
- * These projection tables must be read in conjunction with the Product Disclosure Statement.

Income Tax Position

HISTORICAL INFORMATION

In the past, income earned by ASG in providing scholarship plan benefits has not been taxed – initially under subparagraph 23g(i) of the income Tax Assessment Act 1936, then under the succeeding section 50-20 of the Income Tax Assessment Act 1997. However, after the Ralph review of business taxation, which recommended a 'level playing field' approach, friendly societies became taxed at a uniform corporate rate (currently 30%). With deductions, this meant a lower effective rate of about 26% (but this can vary).

ASG, which was the founder and only provider at that time of educational benefit programs, together with Friendly Societies of Australia, successfully lobbied the Federal Government to ensure that the special position of these types of benefits was not erased. An amendment to the Tax Act was introduced and received Royal Assent on 2 April 2003 as Taxation Laws Amendment Act (No.1) 2003, providing new favourable tax benefits for 'Scholarship Plans' issued from 1 January 2003. The amendment also protected permanently the non-taxable status of income that continues to be earned by ASG on its scholarship plan funds, for ASG Programs established before 1 January 2003

EDUCATION BENEFITS TAX TREATMENT (TEF & SEP)

[Applicable to plans issued from 1 January 2003]

ASG Programs have been designed around the 'Scholarship Plan' concept to take advantage of its unique tax arrangements that are only available through friendly societies. The design ensures that the Plan investment will not increase a Member's or nominated student's personal tax bill or complicate their annual tax returns provided the statutory definition of a 'Scholarship Plan' is satisfied. Generally, this requires a *Plan* to:

- be issued for the sole purpose of providing 'education benefits' for nominated students; and
- not be used as security for borrowing or raising money.

The simple reason why personal tax is sheltered during the period of Plan investment is because ASG pays the tax on Plan investment income and no benefits are withdrawn. ASG also obtains a concessional deduction when education benefits are later paid for eligible beneficiaries, which has the effect of recovering the tax-paid on Plan investment income. ASG then applies its tax deduction credit to increase the value of the education benefit. This grosses-up the education benefit to a pre-tax value – providing an enhanced benefit for the nominated student's education.

Where any benefits paid are treated as 'non-education benefits', no deduction is available to ASG and no such gross-up occurs. However, such a benefit is then treated similarly to the proceeds of a tax-paid 10-year bond.

TAX ADVANTAGES

Any part of a benefit that represents a withdrawal of contributions is treated as a tax-free return of Members' capital.

On the other hand, the non-capital (or investment income) portion of withdrawn education benefits is an assessable receipt in the hands of the nominated student.

ASG's education benefits are normally scheduled to be paid to (or for) nominated students in the financial year they turn age 18 or after. Accordingly, they may be expected to be assessed under normal adult tax rules – which allows a student to derive taxable income up to \$15,000 after taking into account the low income tax offset of \$1,350 (for the current 2009-10 tax year). This effective tax-free threshold increases to \$16,000 in the 2010-11 year. So, if a nominated student receives assessable education benefits, which result in the student's total Australian taxable income not exceeding the effective tax-free threshold in an income year when the student is aged at least 18 (this can include a student who only turns 18 by 30 June of that year), the student may have no personal tax to pay.

Income Tax Position continued...

FLEXIBILITY

The Education Program is standard for all Members but can be supplemented with the SEP to provide for the needs of individual families. As families cannot foresee the future and planning needs to be arranged at the earliest possible time, ASG has built in an option to take benefits as non-education benefits to cater for any eventuality where the nominated student does not continue their studies.

NON-EDUCATION BENEFITS

Benefits that are withdrawn and used for an expense that is not directly related to the nominated student's education will be treated as 'non-education benefits'. In that event, the tax rules will deem the recipient to be the Member and not the nominated student.

Depending upon whether the withdrawn amount represents capital or non-capital, it will be treated as either:

- a) a tax-free capital withdrawal from the Member's Account; or
- b) a withdrawal from accumulated bonuses.

This benefit will be treated similarly to the proceeds of a friendly society 10-year bond for which the following rules apply:

[1] TAX PAID BENEFITS

Non-capital benefits received from a 10-year bond are in effect 'tax paid' benefits, because tax has already been paid and deducted from investment income and no concessional tax recovery applies on payout (unlike the position of 'education benefits' paid).

The growth in the value of the bond, while in operation, does not increase your annual personal taxable income and you, as an individual, pay no tax on the accruing growth.

The bonds also offer simplicity as they do not affect income tax, capital gains tax, the Medicare levy and surcharge and PAYG tax instalments at the personal level.

When withdrawn, personal tax may or may not apply – subject to section 26AH of the *Income Tax Assessment Act 1936*, and as outlined in the following points.

[2] NO PERSONAL TAX AFTER 10 YEARS – Subject to the nominated student's age.

At any time after 10 years – and subject to the 125% further contributions tax rule (see point 5 below) , there is no personal tax to pay on the receipt of a tax-paid bond benefit. You can receive all of your individual account growth or apply it to any purpose without having to worry about declaring and paying tax.

Members can opt to continue to hold their bond even after the nominated student has left school, to optimise the benefits of the bond for other purposes.

[3] PERSONAL TAX ON EARLY WITHDRAWAL

If a Member makes a full or partial withdrawal prior to the ten year completion date, only the growth component is assessable. Even then a tax offset of 30% applies to offset the personal tax impact, under section 160AAB of the Act.

If the withdrawal is within the ninth year, only two-thirds of the growth is assessable with only one-third assessable if withdrawn in the tenth year. The 30% tax rebate is also available on withdrawals in those years, and is calculated on the assessable portion.

Income Tax Position continued...

[4] NO PERSONAL TAX IN SPECIAL WITHDRAWAL CIRCUMSTANCES

Under subsection 26AH(7), there is no personal tax to pay on a withdrawn benefit bond if any of the following circumstances apply:

- The Program is terminated due to death of the 'life insured' under the 'Family Protection' rules. For the TEF and SEP products, the nominated Prime Member is the 'life insured'.
- The Program is surrendered due to an accident, illness or other disability of the 'life insured'.
- The Program is surrendered due to unforeseen severe financial hardship affecting the bond owner.

[5] RESTRICTIONS

If during the term of the Program the total amount of contributions paid during a Program year increases by more than 125% of the total contributions in the previous Program year, the ten-year eligibility period restarts from the beginning of the Program year in which the excess payment is made. However, if a Member wishes to increase beyond the 125% limit and not disturb the existing Program's ten-year original start date, they may do so by commencing a new and separate bond thus preserving the entitlement under the existing bond.

Subsection 26AH(13) covers the tax position here.

NOTE: *The summarised tax position outlined above relates to a 'Scholarship Plan' that is issued from 1 January 2003 and reflects a general understanding of current Australian income tax rules. Tax laws and individual circumstances can vary. Individuals should consider seeking independent tax advice to help ascertain their own tax position. Also, as with any investment decision, it is recommended that appropriate financial advice be obtained from the holder of an Australian financial service licence.*

Glossary of Terms

Term	Explanation
Approved Course	A full-time course of post-secondary study, which is undertaken at a recognised post-secondary or tertiary educational institution in Australia and elsewhere.
ASG	The initials 'ASG' refer to the Australian Scholarships Group Friendly Society Limited.
Beneficiary	A nominated child who becomes eligible under the Rules of the Benefit Fund that they have been enrolled in to receive scholarship or bursary payments.
Benefit Fund	Refers to the vehicle that has been established by the Society to provide benefits to its Members in accordance with its Constitution. Assets of the Benefit Fund must be kept distinct from other Benefit Funds and must be accounted for and disclosed separately in the Society's annual report. These assets can only be used to pay benefits to a person entitled to a benefit from that Benefit Fund.
Bonus	As ASG benefits are not 'savings accounts' in the normal sense of the word, beneficiaries do not earn interest on their accounts. Instead, ASG declares an annual bonus for each Benefit Fund, based on the net earnings of that fund during the year. Bonuses are credited each year, when ASG's financial statements are finalised.
Bursary	An amount of money that a Member receives usually during secondary school years that relates to either the Member's Benefit or Child's Benefit, that is used to pay for the child's education costs.
Contingency Fund	This fund is to assist Members in cases of financial difficulty, not of their own making. The fund is designed to help Members, who are unable to make contributions due to illness, unemployment, etc. Application of this depends on individual fund rules.
Contributions	Payment(s) made to a Member's account in accordance with the tables set out in the rules for each Benefit Fund. (Also see 'Gross Contributions' and 'Net Contributions').
Education Benefit Funds	Mutual benefit funds issued by friendly societies, which although are covered by the Life Insurance Act, have different characteristics and structure than life company funds.
Education Benefits	The term used to describe the money due to a nominated beneficiary or Member for educational purposes under the Rules of the Fund. In this context, the benefit refers to a scholarship allowance, or some other monetary benefit associated with the nominated beneficiary's education.
Enrolment	The term used to describe one benefit taken out for one nominated child.
Family Protection (YRT Fund)	In the event of the death of the prime Member, the family protection cover (Yearly Renewable Term – YRT) will provide a payment into the Member's account sufficient to enable the account to operate for the child's benefit as though the Member had continued to contribute to the fund during the term of the program (excludes lump sum contributions in SEP and single premiums).
Fund	A fund is a pool of assets from a number of investors, which are invested with a common investment mandate and share a common set of fees and conditions.

Glossary of Terms continued...

Term	Explanation
Gross Contributions	Contributions paid by a Member under a benefit fund table, in respect of a nominated benefit. However, it does not include contributions for membership, administration fees, family protection (YRT) or contingency, which are the non-refundable fees.
Independent Scholarship Allowance	A term associated with The Education Fund and tertiary funds that describes the pool component that the nominated beneficiary is entitled to receive upon maturity, once the eligibility criteria are satisfied. The Scholarship Allowances are calculated by dividing the pool by the number of eligible students.
Interim Bonus	The bonus rate set by the actuaries each year and is applicable to Members surrendering during the course of that financial year. It is usually set very conservatively to ensure that continuing Members are not disadvantaged.
Length of membership	Membership begins when the primary Member first enrolls a nominated beneficiary into an educational program. Membership continues until the last benefit is finalised.
Management Fund	The vehicle or entity established to provide the management and administration of the Society and its benefit funds. Assets of the Management Fund must be kept distinct from the benefit funds and must be accounted for and disclosed separately in the Society's annual report.
Maturity Date	For the tertiary funds, the maturity date is the first anniversary of the commencement date after the 18th birthday of the nominated child or if they enrol in a tertiary course prior to that date. For the secondary funds, the maturity date is the first anniversary of the commencement date, after the relative birthday of the nominated child.
Member	A person who has completed and lodged an approved application form with the Society and that person's application has been approved in accordance with the procedure adopted by the Board. On approval, the applicant is immediately allocated a Member number. The 'Member' is usually the parent/grandparent(s) of a nominated child. Also the Prime Member has the right to vote at the annual general meeting (providing they have been a Member for at least 90 days prior to the AGM).
Member's Benefit	The term used to describe the monetary value paid to a Member at maturity. The Member's Benefit generally represents a full refund of net contributions paid to the fund. The respective benefit fund rule determines the exact composition of the Member's Benefit.
Net Contributions	Gross contributions, less management charges and exit fee if applicable, as specified in the benefit fund tables.
Net Investment Returns	The income of the Fund less bank charges, duties, taxes, any transfer to solvency reserves and the asset based charge under the rules of the respective benefit fund.
Nominated Child or Children	A child or other dependant who is nominated in the application form to receive educational benefits from the fund. The same child can be nominated for one or many benefits spanning the Society's portfolio of benefit funds.

Glossary of Terms continued...

Term	Explanation
Pool Value	The dollar amount remaining in the accumulated scholarship account each pool year. It comprises of interest earned by the pool. There are two other elements that go into determining the pool value, namely the number of beneficiaries that defer and the amount that the Society may choose to contribute to round off the payments to a round figure.
Pool Year	The year benefits commence being paid, which is the year that the benefit matures.
Scholarship Account	This is the account that comprises contributions and interest earned.
Scholarship Pool	The collective earnings from Members' contributions in the relative pool for distribution to eligible students.
Secondary Schooling Benefits	A term associated with the secondary funds that describe the pool component that the nominated beneficiary is entitled to receive upon maturity, once the eligibility criteria is satisfied. The Secondary Schooling Benefits are calculated by dividing the pool by the number of eligible students.
Supplementary Education Program	The Supplementary Education Program was created for Members with children already enrolled in The Education Fund. Members may choose to supplement The Education Fund through the Supplementary Education Program to provide for additional assistance with their children's primary, secondary or post-secondary/tertiary study costs.
Surrender	Refers to the cancellation of a benefit for a nominated beneficiary following written confirmation received from the Member.
Surrender Value	The monetary value returned to the Member as a result of a surrender. The value is determined by the benefit fund rules applicable to that benefit.
Table	Schedule of contributions under a benefit fund rule selected by a Member for a nominated child.
The Education Fund	This is ASG's foundation product offered to assist parents and grandparents in planning for a child's future education. It provides a bursary in the secondary years and an independent scholarship allowance during the post-secondary/tertiary years.
Tontine (Mutual Benefit)	A financial arrangement in which a group of beneficiaries of a mutual benefit share advantages with the agreement that on the early exit of any beneficiary, his or her investment income is held in trust for the remaining beneficiaries, until a final group remains for whom Members have completed scheduled payments and the relevant fund has matured. At this point, the investment income of the mutual benefit goes to those eligible beneficiaries remaining at that time and is divided equally among them.
Total Society Contributions	Total monies paid to the Society as contributions for a benefit fund, contingency fund and YRT fund. Also includes society membership and administration fees.
Year of Eligibility	The calendar year immediately following the maturity date.



**Australian
Scholarships
Group**

SUPPORTING CHILDREN'S EDUCATION

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