



Margin Lending made easy

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 **BT** Financial Group



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This brochure is about a different approach to building wealth. An approach that involves investing more money, more wisely. It involves using borrowed money to increase the amount you invest in shares and managed funds to boost your potential returns.

With the Australian margin lending market now greater than \$19.5 billion,¹ it's an approach that's increasingly popular.

¹Reserve Bank of Australia statistics as at 31 December 2005.

→ **Margin lending is easy**

Margin lending is simply borrowing money to invest in shares or managed funds. You use your existing cash, shares or managed funds as security and we lend you more money to invest. It is similar to buying a house, where you provide an asset in the form of the house, and the lender loans you money to pay for the house.

You can take out a loan using your existing investment portfolio, which can include cash, to diversify your investments further. This way, you avoid any potential capital gains tax liability as you do not need to sell your existing assets to drive further investments.

Hence, with margin lending you have the ability to invest a larger amount than you could using your own investment capital. By increasing the value of your investments you also have the potential for higher and accelerated returns.

It is an approach that is increasingly popular. But you may still have some questions:

- How can margin lending increase my potential returns?
- How does it work?
- What if the value of my investment falls?
- Why choose a BT Margin Loan?



→ **Why borrow to invest**

Borrowing money against an existing portfolio or asset in order to invest can help you reach your financial goals faster than you could otherwise aspire to. This is because margin lending allows you to invest more, potentially increasing the size of your investment returns.

Returns are multiplied by gearing

The example below shows how gearing your initial investment portfolio can increase the after tax return as compared to an ungeared investment.

Let's consider a portfolio of Westpac Banking Corporation (WBC) shares over a 5 year period.

Your initial investment portfolio as at 31 December 2000, comprises 5,000 WBC shares at a closing price of \$13.19. On 31 December 2005, these WBC shares have a closing price of \$22.75.

The following table shows how gearing works to magnify the investment outcome. It details the different value of your investment over the five year period geared at 50% and 70% compared with the result if you simply invested your original portfolio without gearing.

Table 1	Ungeared portfolio	Geared portfolio (50%)	Geared portfolio (70%)
Your existing portfolio (own funds invested)	\$65,950	\$65,950	\$65,950
Margin loan	—	\$65,950	\$153,883
Portfolio value as at 31 December 2000	\$65,950	\$131,900	\$219,833
Portfolio value as at 31 December 2005	\$113,750	\$227,499	\$379,165
Less interest costs	—	(\$27,699)	(\$64,631)
Unrealised profit	\$47,800	\$67,900	\$94,701
Return on capital before tax	72%	102%	143%

Assumptions: Interest rate of 8.40% pa. Capital growth only. Dividends, franking credits and other fees and charges have been excluded. Any change in assumptions could significantly change the results.

Margin lending can be highly tax effective¹

Margin lending allows you to better manage your tax position:

- Interest on a margin loan is normally tax deductible, which reduces the tax you pay on investment and other income.
- Interest can be prepaid which allows you to lock in interest rates applicable at the time that you make the prepayment, without being exposed to interest rate increases that may occur later. You may prepay interest up to 12 months in advance, and maximise any tax deduction that you may be entitled to.
- You are able to borrow against an existing portfolio of shares and managed funds. This allows you to increase your investment without having to sell your portfolio and potentially incur capital gains tax.
- You can take out a margin loan in a way that best suits your own situation — as an individual, joint borrowers, or as a company/trust structure. For example, if you invest as an individual, you may benefit from lower effective tax rates on capital gains, where your investments are held for a period of more than 12 months.
- You can also take out a loan secured against a third party's portfolio. This allows you to obtain access to equity held by another person to obtain leverage and achieve greater investment returns. You may be entitled to claim tax deductions for interest on the loan, including interest that is prepaid up to 12 months in advance.
- Australian share investments often yield imputation credits that reduce the amount of tax paid on your investment income (imputation credits apply to Australian shares where franked dividends are paid).

You can diversify your portfolio

Borrowing money gives you more money to invest. You can then spread your money across more investments. A larger range of investment choices could increase your returns and reduce the risk that poor performance in any one investment will drag down your total return. By investing in shares and managed funds, you can spread your investment across different sectors of the economy and different parts of the world.

Diversification is a proven method of reducing investment risk without sacrificing long-term performance.

1_ Your ability to claim your interest costs as a tax deduction will depend on your specific personal circumstances and where you continue to use the borrowed funds for income producing purposes (such as investment or business purposes). For this reason, you may want to consider obtaining independent financial advice on whether a margin loan is compatible with your financial strategy and tax position.

→ **How does a margin loan work?**

Your investment portfolio is the security (or collateral) for the loan, just like a mortgage over property for a home loan.

A lending ratio is assigned to each investment in your loan portfolio (see A in Table 2 below). The lending ratio is the percentage of the investment's market value that we will lend you.

BT Margin Lending will lend between 35% and 80% of the market value of over 1,400 listed shares and managed funds.¹

Multiplying each investment's market value by its lending ratio gives the limit value for the investment (see B in Table 2 below).

The total of the limit values is the loan limit, ie the maximum amount you can borrow (see C in Table 2 below). As the value of your investments change each day, the loan limit also changes.

Table 2 – Sample portfolio	Market value	Lending ratio (A)	Limit value (B)
ABC Fund	\$20,000	65%	\$13,000
DFG Ltd	\$10,000	60%	\$ 6,000
XYZ Bank	\$6,000	50%	\$ 3,000
	\$36,000		\$22,000 (C)
Maximum amount you can borrow (ie funds available to invest)			\$22,000 (D)



¹ Current as at 28 February 2006. BT Margin Lending may change lending ratios at its discretion and without notice. Lending ratios are set by BT Margin Lending for the purpose of managing its business and should not be taken as an investment recommendation.

Funds available for investing

In this example, you can borrow up to the amount of your funds available, ie \$22,000 (see D in Table 2 opposite). You can make use of your funds available by:

- requesting a cash advance, and/or
- using the funds to buy additional investments.

Cash advances

You can request a cash advance up to the amount of your funds available. Advances can be used for any investment or business purpose and may be requested over the phone or internet, via your secure log-in. You should ensure that your advance is used for investment or business purposes, so that you may qualify to claim the associated interest cost on the advance as a potential tax deduction.

Investing more

If you use your funds available to buy investments that are added to your loan portfolio, then your loan limit also increases — creating more funds available. This 'multiplier effect' means that you can borrow up to 4 times the amount of your funds available, depending on the lending ratio applying to your new investments.

So, the \$22,000 funds available in the example on the previous page, could be used to buy \$55,000 more DFG Ltd shares, with a lending ratio of 60%. You now have a loan balance of \$55,000. But by adding the new shares to your loan portfolio the loan limit also increases by \$33,000 ($\$55,000 \times 60\%$) to \$55,000 (see Table 3 below).

Table 3	Before DFG Ltd shares purchased	After DFG Ltd shares purchased
Total market value of your portfolio	\$36,000	\$91,000
Loan limit	\$22,000	\$55,000
Loan balance	\$0	\$55,000
Funds available to invest	\$22,000	\$0

→ **Summary — two common ways to use margin lending**

1_Using cash or an existing portfolio as security to buy additional shares and/or managed funds.

→ Example 1 — if you had \$100,000 in cash you could borrow \$233,333 and invest \$333,333 (assuming a lending ratio of 70%).

$$\text{Formula} = \frac{\text{Market value of portfolio}}{[1 - (\text{lending ratio}/100)]} = \frac{\$100,000}{[1 - (70/100)]} = \$333,333$$

→ Example 2 — if you had existing managed fund investments of \$50,000, you could borrow \$75,000 and diversify your portfolio further (assuming a lending ratio of 60%). Your total investments would be \$125,000.

$$\text{Formula} = \frac{\text{Market value of portfolio}}{[1 - (\text{lending ratio}/100)]} = \frac{\$50,000}{[1 - (60/100)]} = \$125,000$$

2_Using an existing portfolio as security to borrow money for any other investment or business purpose.

→ Example — if you had a portfolio of listed shares worth \$100,000 you could borrow up to \$70,000. This is called a cash advance.

$$\begin{aligned} \text{Formula} &= (\text{Market value of portfolio}) \times (\text{Lending ratio}/100) \\ &= \$100,000 \times (70/100) = \$70,000 \end{aligned}$$



→ **Start a regular investment and gearing plan**

While gearing has many advantages, using your savings to gear on a regular basis has even more.

Whether your goal is to reach a financial milestone sooner or provide for your children's education and future, you can get there faster with a regular geared investment plan. All you need is \$1,100 to get started.

What is regular gearing?

Quite simply, regular gearing involves combining your monthly savings with borrowed funds to invest into selected managed funds on a monthly basis.

It can help grow your portfolio faster and it is a simple and automatic way to drip-feed money into investments, allowing you to take advantage of dollar cost averaging — buying more when the market is down and less when the market is up. This can smooth out the highs and lows of investing.

BT Margin Lending regular gearing requirements

- Minimum equity of \$1,100 for a \$2,500 loan with a 70% gearing ratio
- Minimum initial investment \$1,000 per managed fund
- Minimum monthly loan advance \$250
- Minimum monthly investment of \$250 per managed fund.

Case study¹ — how regular gearing can work for you

Sam has \$2,000 equity and wants to invest into an Australian share fund. He can afford to invest an additional \$500 per month and wants to maximise his return over a 10 year period. Sam considers the following options:

Option 1_No gearing strategy

Invest the initial \$2,000 and \$500 per month into the Australian share fund. After 10 years the total net value of the investment would be \$91,208 shown in Table 4 below.

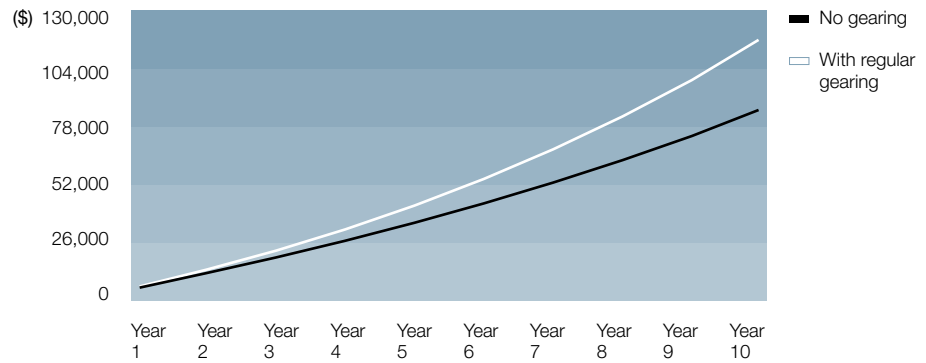
Option 2_Regular gearing strategy

Combine the initial \$2,000 with a loan of \$5,000 to make an initial investment of \$7,000. Sam invests \$500 per month, as well as using regular gearing to invest an additional \$500 per month from the loan, ie borrows \$500 to create a total investment of \$1,000 per month.

After 10 years the total net value of the investment would be \$124,116 with a corresponding loan balance of \$64,500.

Table 4 After 10 years	No gearing strategy	Regular gearing strategy
Sam's equity contribution	\$61,500	\$61,500
Sam's net equity contribution after interest and tax	\$70,972	\$64,988
Investment value after interest and tax	\$91,208	\$188,616
Less loan balance	\$0	\$64,500
Investment value after interest, tax and loan	\$91,208	\$124,116
Return on Sam's net equity contribution	\$20,236	\$59,128
Increase on net equity contribution		\$38,892

1_ Assumptions: Interest rate 8.40% pa; Distributions re-invested; Capital growth 4% pa; Income yield 4% pa; Marginal tax rate 48.5% (including Medicare levy). Client has held investment for greater than 12 months using the CGT discounted method and no non-assessable adjustments have been made to the cost base. Any change in assumptions will change the results.



As shown in Table 4 on the previous page, regular gearing gives you all the advantages of a regular investment plan combined with the advantages of gearing.

Advantages of regular gearing

- Start early and watch your investments grow over a longer investment period
- An automatic and disciplined approach to saving and investing every month
- Benefit from dollar cost averaging — smooth out the highs and lows of investing
- Allows you to invest more money more frequently
- Potential to purchase more as your investment portfolio increases in size.

→ **Benefits of using third party security**

In some cases you may want to use another person's (or company's) investments as security for your loan. This is known as third party security.

If you do not personally own sufficient investments, nor have the capital available to lend against, you can use the assets of another person or company to help build your wealth. Third party security can also allow you to better manage your tax position, allowing you to reach your investment goals sooner.

Some typical examples of when a third party can be used effectively are:

- couples on different marginal tax rates
- parents with adult children
- the use of your company as a third party to the loan.

Who can be a third party?

- Individuals
- Companies — existing chargeholders must be willing to release their charges or give BT Margin Lending priority over the portfolio. Companies must provide a registered charge over the investments in the portfolio which BT will register with ASIC.
- Trusts — an external solicitor's trust opinion is required for third party trusts.

Where you are considering using a third party security provider, we recommend that you discuss your loan and how you intend to operate it with your third party.

Third party security providers to your loan will be entitled to receive information (when they request it) regarding the loan from BT Margin Lending.



→ Understanding risk

As with any form of investing and borrowing you need to be aware of factors that could affect your overall returns.

Managing risk, not taking risks

Like any investment, a margin loan involves some risk. While borrowing to invest more money in shares and managed funds increases your potential returns, it can also increase potential losses. However, you can manage your margin loan to maximise the benefits and minimise the risks. The most common risks associated with margin lending are:

- Margin calls as a result of market volatility and/or high gearing levels
- Increase in borrowing costs, ie interest rate increases
- Changes to tax laws which may impact the strength of your tax deductions.

Margin calls and the buffer

One of the main risks that margin lending involves is the possibility of a margin call. This usually occurs when the market value of your security portfolio falls significantly, which in turn will reduce your loan limit. This will also cause a rise in your gearing level, as your loan balance has not changed. If your current gearing level exceeds your maximum lending ratio, a margin call may occur.

To provide you with some breathing space in this situation, we offer a buffer, which is added to the market value of the approved securities in your portfolio. This buffer is currently 10%,¹ and ensures that small market fluctuations or changes to your loan balance do not trigger a margin call.

If your account is in the buffer you are unable to borrow more money but it is not necessary for you to take any action, though it might be prudent to do so.

Table 5 shows how the buffer works.

Table 5 In the Buffer and Margin Call	Opening position	Example 1 — 10% fall in market	Example 2 — 20% fall in market
Total market value of your portfolio	\$50,000	\$45,000	\$40,000
Loan limit — maximum amount you can borrow (assume a lending ratio of 70%)	\$35,000	\$31,500	\$28,000
Loan balance — amount you have borrowed	\$35,000	\$35,000	\$35,000
Shortfall	—	\$ 3,500	\$7,000
Buffer (10% of portfolio market value)	\$5,000	\$ 4,500	\$4,000
Remaining buffer	—	\$ 1,000	—
Margin call	—	—	(\$3,000)

¹_BT Margin Lending may change lending ratios and the amount of the buffer at its discretion.

→ Understanding risk

Example 1_In the buffer

Your portfolio market value has fallen by 10%, resulting in a corresponding fall in your loan limit. Your loan limit is now \$31,500, however your loan balance is still \$35,000. While this means that there is a shortfall of \$3,500, the buffer is actually \$4,500 so there is no margin call. You do not necessarily need to take any action, although it may be prudent to do so as you will not be able to borrow further.

Example 2_In margin call

A margin call occurs when the loan balance exceeds the loan limit by more than the buffer. In the above example the margin call amount of \$3,000 needs to be rectified by noon the next day. You need to do one or a combination of the following, within this timeframe:

- repay part of your loan so that the loan balance no longer exceeds the loan limit
- deposit additional acceptable securities to increase the loan limit
- sell part of the portfolio and use the proceeds to repay part of your loan.

BT Margin Lending may attempt to contact you in the case of a margin call, but the overall responsibility for your loan is yours. If a margin call is not satisfied by the time specified, BT Margin Lending may take action to correct your loan position — usually selling securities to reduce your loan balance.

On the next page, you will find some simple strategies which you can use to minimise the risk of a margin call occurring.

How much does your portfolio value need to fall, before a margin call arises?

Different portfolios have different maximum lending ratios (LVR), dependant on the composition of your investments.

Table 6 below, shows how much the market value of your portfolio needs to fall by, before a margin call occurs. For example, if you invest into managed funds that have a 70% lending ratio and you only borrow to 50%, your portfolio would need to fall by 38% before a margin call arises.

Table 6	Personal Borrowing Level (ie your gearing level)				
Maximum lending ratio (LVR)	70%	60%	50%	40%	30%
70%	13%	25%	38%	50%	63%
65%	7%	20%	33%	47%	60%
60%		14%	29%	43%	57%
55%		8%	23%	38%	54%
50%			17%	33%	50%
Assumes a buffer of 10%					

Formula =

$$\text{Portfolio fall before a margin call} = 1 - \frac{(\text{Personal Borrowing Level}/100)}{(\text{Max. LVR}/100 + 0.10)}$$

How to manage and minimise risk

Borrow less than you can afford

Carefully limiting the amount you borrow is the secret to successful gearing. It ensures that you can easily meet your regular interest payments and can cope with any sudden extra expenses. Conservative borrowing reduces the risk of a margin call. The table on the previous page shows the significant difference even a 10% lower gearing level can make to the risk of a margin call.

BT Margin Lending allows a buffer of 10% on both managed funds and listed securities. This means that if you have a loan limit of 70%, your ratio can actually go to 80% before you are in a margin call and need to restore your loan position.

Invest in quality assets

The quality of your assets is crucial to the success of any geared investment strategy. Investing in high quality shares and managed funds can reduce the risk of a major capital loss or margin call.

Diversify

By diversifying your investments across a wide variety of shares or managed funds, you can reduce risk by ensuring the poor performance of one investment has a limited affect on total returns. This is difficult for property investors to achieve without investing a very large amount, however diversification is easier with margin lending as you can invest smaller amounts across a number of securities.

Repay and reinvest

By paying your loan interest regularly you can help to prevent your loan balance and level of gearing from increasing. This reduces the risk of a margin call. Reinvesting your dividends and distributions or crediting them against your loan also helps reduce your gearing level.

Be aware of timing issues

Timing issues can also add to the risk of your margin loan. For example:

- The timing of dividend and distribution payments may not coincide with your interest payments.
- A fall in the market between the time you place an order and settlement may mean the trade may not settle if you have insufficient funds available.
- At any time the lending ratio assigned to any security may vary (including being reduced to zero). This may result in a margin call, or the cancellation of pending transactions.

Consider your cashflow

A margin loan is generally inappropriate for individuals who do not have the means to meet margin calls and interest payments. Only investors with the ability to absorb the effect of significant falls in investment values and the cost of interest payments should gear. Before applying for a loan, you should ensure that your cashflow is adequate to meet interest payments.

Manage and monitor

You can track your loan balance 24 hours a day, 7 days a week. Simply login to the internet site at www.bt.com.au.

We recommend that you consider and plan an appropriate personal strategy that you can rely on, in the event of a margin call.

BT Margin Lending offers the following interest rate options:

Interest rate type	Interest payable	Interest payment method
Variable	Monthly in arrears	<ul style="list-style-type: none"> → direct debit¹ from your nominated bank account → BPAY → capitalised to your margin loan. <p>Where you do not nominate an interest payment method, interest will be capitalised to your margin loan.</p>
Fixed	In advance The fixed rate term can be set for 3, 6, 9 or 12 months.	<ul style="list-style-type: none"> → direct debit¹ from your nominated bank account → Bpay → capitalised to your margin loan. <p>Where you do not nominate an interest payment method, interest will be capitalised to your margin loan.</p>

Prepaying your interest allows you to manage your cashflow by locking in an interest rate for a fixed period of time. Prepaying your interest before the end of the financial year may also be a tax-effective investment strategy.

Prepaid interest is not refundable. Minimum loan amount for prepaying interest is \$20,000.

How is interest charged on your margin loan?

For variable interest rate loans, interest is calculated on the greater of either the daily loan balance or \$20,000 (even if your actual loan balance is less than \$20,000). Interest is charged to your loan account on the last business day of every month. No interest is charged where your loan balance is zero or in credit.

If your loan balance temporarily falls below \$20,000 (say as a result of a sale or redemption) you may wish to consider investing the shortfall in BT's Cash Management Trust (CMT). This way, you may earn interest income to partially offset the minimum interest charge on the loan until you are ready to re-enter the market.

If you have prepaid interest on your loan you can also use this strategy to maintain your loan balance at the level on which interest has been prepaid. The idea is to fully use the loan amount you have paid interest on to earn income.

Establishing and using a BT Cash Management Trust

BT Margin Lending offers a 100% lending ratio on credit funds held in the BT Cash Management Trust. Please note that instructions as to fund transfers between your cash management trust and your margin loan facility will need to be provided, as automatic sweeps will not occur.

¹ Where you select the direct debt option for interest payment you must ensure that sufficient funds are held in your nominated account as interest will be collected automatically each month. Where interest will be capitalised to your loan account, you need to ensure that you have sufficient funds available in your margin loan.

→ **Save on interest — use a BT Margin Lending_Online Loan**

If you are interested in paying a lower rate of interest on your margin loan and your portfolio primarily consists of shares, you may be interested in BT's Margin Lending_Online loan.

We are committed to guaranteeing that the interest rate on this loan will always be lower¹ than the standard BT Margin Loan variable rate. It applies to clients who open a BT Margin Loan which is linked to a Westpac Broking account. The margin loan must be opened via the online Loan Application Form which is available on the Westpac Broking website:

www.westpac.com.au and click on the online investing link.

Transaction fees may apply. They vary according to your average monthly margin loan balance and the number of transactions³ you conduct each month. The fees are outlined in the table below:

Table 8 Transaction fees	BT Margin Loan (Standard)	BT Margin Lending_Online Loan
Loan balance ² of \$250,000 or more	None	None
Loan balance between \$20,000 (incl.) and \$250,000	None	5 free transactions ³ per month, thereafter \$5 per transaction.

A linked trading account makes it easy to invest

You may want to consider the advantages of linking your BT Margin Loan to an online share trading account with Westpac Broking. Also known as Straight Through Processing (STP), this linkage makes it easy and fast to invest in direct shares.

You can trade online, monitor and manage your direct share margin lending portfolios more easily, more cheaply and with more flexibility than ever before.

Here are some other key benefits:

- Real time investing — buy and sell shares online via STP and avoid the potentially expensive lag between order and execution
- Instant information — your total portfolio and transaction history is available on the Westpac Broking website
- Lower cost — online trades cost less than a phone trade
- Access additional funds for investment through your margin loan
- No cost to set up an online share trading account with Westpac Broking
- Access to market research for a superior level of analysis and consensus recommendations.

To use our Margin Lending Comparison Calculator to determine which loan suits you best, visit www.bt.com.au/investors/tools-and-resources/calculators/margin-lending-calculators.asp.

To set up a linked BT Margin Loan with Westpac Broking visit www.westpac.com.au and click on the online investing link.

1_ At time of print, the BT Margin Lending_Online variable rate is 0.20% pa lower than the standard BT Margin Loan variable rate. BT Margin Lending reserves the right to vary interest rates from time to time.

2_ Loan balance is defined as the average monthly loan balance. Where the average monthly loan balance is less than \$20,000, there will be no free transactions in that month.

3_ A transaction is defined as a share purchase, share release, share transfer, share sale, cash advance, managed fund application and redemption. The transaction fee structure is at the discretion of BT Margin Lending and may be altered at any time.

→ **Why choose a BT Margin Loan?**

BT Margin Lending is widely acknowledged as a leading provider of investment financing. As one of the pioneers of margin lending in Australia, BT has been helping thousands of Australians with their investments for over 25 years.

BT has loans of over \$2.9 billion¹ and has serviced more than 35,000 customers around Australia. It has been part of the Westpac Banking Corporation group, since October 2002.

Key benefits and features	
Who can borrow?	Individuals and joint parties Partnerships Companies and trusts
Loan Approvals	Approvals within 24 hours (company and trust applications may take longer). No application or establishment fees for individual borrowers.
Loan term	No fixed loan term.
Repayments	The facility is an open ended revolving line of credit. There is no set principal repayment schedule or requirement for regular interest payments. Part or full repayments to the loan can be made at any time by direct credit or BPAY.
Acceptable Security	Cash, Australian shares, managed funds and selected instalment warrants. Securities can be held in either the borrower's name or in the name of a third party.
Lending Ratios	Lending ratios are generally between 35% and 80% of the value of the portfolio. Single stock restrictions may apply on securities where the lending ratio is less than 60%. All lending ratios are available on www.bt.com.au .

Key benefits and features (continued)	
Loan types	<p>Standard Margin Loan</p> <ul style="list-style-type: none"> → minimum loan is \$20,000 → no minimum requirement for loan advances or additional equity contributions. <p>BT Margin Lending_Online Loan</p> <ul style="list-style-type: none"> → applies to clients who open a BT Margin loan which is linked to a Westpac Broking online share trading account. Applications must be completed online → lower interest rate than a BT Standard Margin Loan → trade online with Westpac Broking → transaction fees may apply, depending on your average monthly loan balance and number of transactions per month. <p>Regular Gearing Loan</p> <ul style="list-style-type: none"> → minimum loan is \$2,500 → minimum initial investment \$1,000 per managed fund → minimum monthly loan advance \$250 → minimum monthly investment of \$250 per managed fund.
Interest rates	<p>Variable interest is calculated on either the greater of the daily loan balance or \$20,000 and charged to the loan account on the last business day of the month. Interest charges commence only after money is borrowed.</p> <p>Fixed interest rates where interest is paid in advance are available for terms of 3, 6, 9 and 12 months. The minimum loan amount to fix must be \$20,000. Prepaid interest is not refundable.</p> <p>Interest rates are reviewed monthly.</p> <p>Interest can be paid by direct debit, BPAY, or allowed to capitalise to the loan balance.</p>
Flexibility	<p>Use any stockbroker of your choice.</p> <p>Change/switch holdings within your portfolio at any time.</p> <p>No limit to the number of times you can transact.</p>
Tools to manage your loan	<p>Monitor and transact on your loan account securely online 24 hours a day, 7 days a week.</p> <p>Use our online calculators to simulate transactions on your loan, prepay interest and determine how much equity you need.</p> <p>Our dedicated Customer Relations Consultants, available Monday to Friday 8.30am to 5.30pm, AEST on 1800 816 222.</p>

Talk to a financial planner

BT cannot provide advice on whether a margin loan is suitable for you or how best to invest the money you borrow using a margin loan. If you need assistance, a financial planner can help recommend an investment strategy that covers tax planning, risk management, the choice of investments and the amount of gearing that is appropriate to your situation.

BT can help you find a financial planner that suits your circumstances through our Adviser Referral Program. Visit www.bt.com.au to find a financial planner that suits you, near you.

BT Margin Lending may pay a commission to your financial planner.

Assess how much security you need to provide

The amount of security you need to provide depends on the lending ratio of the underlying security that you wish to purchase and the amount you wish to borrow. The minimum loan amount is \$20,000.

For example, if you wish to borrow \$100,000 to invest in a security with a current lending ratio of 70%, you would need to provide \$42,857 as your initial security. This will provide a total investment portfolio of \$142,857.

$$\text{Security needed} = \text{Loan amount} \times \frac{(100 - \text{lending ratio})}{\text{lending ratio}}$$

The table below shows the initial security (can be cash or existing investments) required for different loan amounts and lending ratios.

Table 9 Loan amount	Lending ratio			
	70%	65%	60%	50%
\$5,000	\$2,143	\$2,692	\$3,333	\$5,000
\$20,000	\$8,571	\$10,769	\$13,333	\$20,000
\$50,000	\$21,429	\$26,923	\$33,333	\$50,000
\$100,000	\$42,857	\$53,846	\$66,667	\$100,000

To apply for a loan

Read the BT Margin Loan Application booklet (which also contains the Facility Deed and Loan Application Form) which you can obtain by:

- downloading from our website www.bt.com.au
- calling our Customer Relations Consultants on 1800 816 222
- visiting a BT Investor Centre located in Sydney, Melbourne, Brisbane, Adelaide and Perth.

We recommend that you obtain independent financial advice before you proceed with an application.

When you are ready to complete the Loan Application Form, please refer to the checklist at the front of the form. The Loan Application Form can be obtained from:

- the BT website www.bt.com.au. You may download it, or complete the online Loan Application Form
- the BT Margin Loan Application booklet.

If you are applying for a BT Margin Lending_Online loan, you must complete the online Loan Application Form held on the Westpac Broking website www.westpac.com.au and click on the online investing link.

You do not have to borrow money as soon as your account is established. This means that you can apply for a margin loan and then wait to take advantage of investment opportunities. There are no set up fees with BT Margin Lending and interest is only charged when you actually borrow money.

Regular updates about your loan

Once your loan is established you will receive a monthly statement showing the current value of your portfolio and your loan balance. You will also receive Margin Matters, our quarterly on-line client newsletter, containing tips on how to operate your loan effectively along with economic and market updates.

You can also view your account details on our secure site at www.bt.com.au. This secure site is updated daily and allows you to view your loan balance, transaction details, current interest rates and gearing ratios, as well as request cash advances and amend your account details.

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This information is based on current laws and their interpretation. The levels and basis of taxation may change. The application of taxation laws depends upon an investor's individual circumstances. You should, therefore, seek professional advice on the taxation implications of investing and should not rely on this information which should be used as a guide only. The information contained in this document is given in good faith and has been derived from sources believed to be accurate as at this date. It contains general information only and should not be considered as a comprehensive statement on any matter and should not be relied upon as such. No company in the BT Financial Group nor any of their employees or directors gives any warranty of reliability or accuracy nor accepts any responsibility arising in any other way including by reason of negligence for errors or omissions. This disclaimer is subject to any contrary provisions in the Trade Practices Act. This information doesn't account for your investment objectives, particular needs or financial situation. These should be considered before investing and we recommend you consult a financial adviser. All forecasts and estimates are based on one set of assumptions which may change. A small change in any one of the assumptions may lead to a large change in the results. Copyright February 2006 BT Financial Group. This information may not be used or reproduced without the prior consent of BT Financial Group.



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