SUPER INFO

WINTER 2016

What's inside:

Super gains despite the pains

The market uncertainty over the UK's Brexit from the EU didn't stop Australian superannuation funds ending the 2015-16 financial year in positive territory. According to the latest data from Chant West, it looks set to be the seventh consecutive year of positive growth.

Chant West director, Warren Chant says this year's return will likely be modest compared to the previous three but it's still good result in an environment of low economic growth.

"Funds are so well diversified across a wide range of growth and defensive asset sectors, they can successfully smooth out returns when listed markets are struggling," Chant says. "This year has been another great example of the benefits of diversification."

Final performance results show the Scheme's Growth investment option returned 3.4% for the financial year.

Chant says that, while all eyes will be on this year's results – it's important to look at performance in a longer-term context.

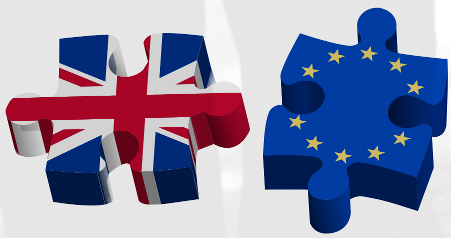
"And there's no denying that super fund members have enjoyed a terrific run in recent years," Chant says. "The last negative financial year most people experienced was back in 2008/09 when the GFC ravaged performance."

Since then, he says, there have been six consecutive positive years – and this one looks certain to be the seventh.

The total return from Australian Shares (including dividends) for Australian investors over the year to 30 June 2016 was 0.9%. Global Equity markets returned 0.4% in unhedged $A terms, and -1.4% in hedged $A terms.

If you have questions about the Scheme's investment options, please call Alan Kent on (08) 8204 3826. However, if you need advice about your investment options, you should speak to a licensed financial adviser.

** Reported average result for funds with 61 to 80% of their investments in growth assets.*



Vote paves the way for sweeping super changes

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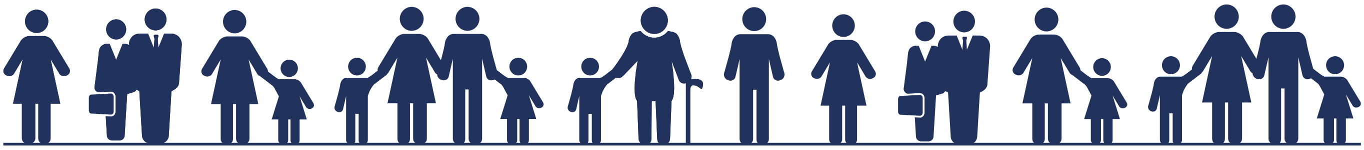
See pg 2 for more...



Vote paves the way for sweeping super changes *Source: Mercer*

A narrow victory for the Turnbull Government in July's federal election could pave the way for sweeping superannuation changes.

The government announced a raft of changes to super in its May Federal Budget, many of which are now likely to come into effect by July next year; depending on the final shape of both the House of Representatives and the Senate.

Financial experts agree that the government's reform agenda amounts to the largest change to superannuation in a decade; but the proposed changes largely aim at ensuring the system is fairer, more flexible and fit for purpose.

It is expected that the 'big ticket' wealth creation values of super will stay, being the generous 15% tax rate on concessional super contributions for most super members, while pension drawdowns remain tax free for those aged over 60.

That the government has ruled out any further changes to super has also been welcomed by the industry. Financial advisers generally concede that uncertainly around super rules makes planning for retirement more difficult.

Opposition leader Bill Shorten has called for an independent review into any changes considered retrospective, a reference to the proposed $500k lifetime cap on after-tax contributions.

However, the ALP is considered likely to support many of the proposed reforms, though there may be some negotiating on the finer points:

- **High income, higher tax**

  All major parties agree on lowering the income threshold at which a higher 30 per cent super tax rate kicks in; so people who earn between $250,000 and $300,000 a year (including concessional contributions to super) will pay 30 per cent contributions tax from 1 July 2017. Those with an annual income of more than $300,000 already pay the higher rate.

  While some high-income earners might consider that it is no longer attractive to put money into superannuation, generally the concessional tax on earnings of 15 per cent may still be more attractive than their marginal rate of tax.

- **Low-income support**

  There is also bipartisan support for a tax offset of up to $500 on concessional super contributions for workers earning less than $37,000, so low-income workers don't end up paying more tax on their super contributions than they do on their income.

  Consensus is that this is an equitable outcome for those on lower salaries or who are working part time, helping to boost their standard of living in retirement by increasing the extent to which super might supplement the Age Pension.

- **Reduction concessional caps and catch up' contributions**

  Concessional contribution caps will also be lowered, to $25,000, from the current $30,000 for under-50s and $35,000 for those aged 50-plus. But the proposed rules will allow anyone with a super balance below $500,000 to carry over five years' of unused concessional caps.

  This proposal would allow those who have had a break from working the opportunity to boost their super contributions at a time that better suits them. It offers an attractive option particularly for women who leave work to raise a family, with the option to top up their super shortfall on return from maternity leave.

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- **$500K lifetime cap**

  A $500,000 lifetime cap on after-tax contribution to super has been in effect since Budget night on 3 May. The new cap, which replaces the current annual cap of $180,000, will count all contributions made since July 2007.

  Such changes will necessitate an adjustment in strategy where workers had planned to make catch-up contributions later in life, perhaps through the sale of an asset. However, couples will have two lifetime caps, so savings strategies can plan to make use of both.

- **$1.6 million balance transfer cap**

  Retirees will no longer enjoy tax-free earnings on balances higher than $1.6 million. From 1 July 2017, the government plans to introduce limits on the amount of super that can be transferred into a tax-free pension account, or remain in an existing pension account.

- **Transition to retirement rules**

  The 2016 Budget has also proposed changes to transition to retirement (TTR) pensions. From 1 July 2017, earnings generated by TTR pensions will no longer be tax free. Instead, the earnings will be taxed at 15 per cent, the same level of tax that is paid by super accounts. The Greens could support the move in its current form but have proposed more extensive reforms of their own.

- **Abolish the work test**

  The government has said it will remove current restrictions so everyone can contribute to super up to age 75, regardless of whether they are working.

  The change will give older Australians more time to boost their super, while giving more flexibility to claim a tax deduction for personal super contributions made in retirement.

Additional Voluntary Contributions – if you want to

You can put extra money into super, over and above the contributions required for your Defined Benefits. Any contributions you make must be preserved.

These contributions are allocated to your Additional Voluntary Contribution Account and form part of your Accumulation Benefit.

You can make regular contributions by direct deductions from your salary, either post tax or pre-tax (salary sacrifice). You decide how much extra you'd like to put in as a fixed dollar amount in multiples of $10.

You can generally change the rate of your additional contributions at 1 July each year. Please contact the Manager regarding maximum contribution levels allowed.

Tax on contributions

Tax is deducted from employer contributions and any before-tax (salary sacrifice) contributions you make. This tax is normally deducted at 15% but contributions may also be subject to additional tax if you have not supplied your tax file number or exceed the contribution caps that apply. Tax may also be deducted in respect of any monies rolled into the Scheme and in respect of certain super benefits that contain an untaxed component.

Under the Family Law Act 1975 (Family Law Act), superannuation benefits can be divided when a couple in a marriage or in a de facto relationship respectively divorce or separate.

FAMILY LAW AND YOUR SUPER

Under the Family Law Act 1975 (Family Law Act), superannuation benefits can be divided when a couple in a marriage or in a de facto relationship respectively divorce or separate.

The legislation allows married or de facto couples to make binding agreements or obtain Court orders from the Family Court in respect of how each partner's super will be divided upon marriage breakdown.

Your super benefit may need to be adjusted to reflect any agreements or Court Orders which may be binding on the trustee. Splitting super entitlements with your spouse will also affect the preservation components of your super and may have tax consequences.

You should seek professional advice on the consequences of separation on your super.

The trustee has determined that for Defined Benefit members there will be no splitting of any benefit whilst the benefit is in the growth phase. This means that no benefit can be paid to a spouse until a member ceases employment with their employer or exercises portability and transfers a portion of their benefit from the Scheme.

Please note that under the Family Law Act, the trustee is also required to provide certain information about a member's super benefit in the Scheme to 'eligible persons' where the information is required to negotiate a superannuation agreement or to assist with a Court Order. For the purposes of the Family Law Act, an eligible person means a member, the spouse of a member or a person who intends to enter a superannuation agreement with the member.

The trustee may charge a fee when a request is made for actions to be taken under the Family Law Act in respect of your super benefit.

You can also contact the Manager about family law matters affecting your super in the Scheme.

Important notice: The information in this newsletter is for educational purposes only and is not intended to be advice. It has been prepared without taking account of your personal objectives, financial situation or needs. Therefore, before acting upon any of the information in this newsletter, you should consider its appropriateness having regard to your objectives, personal situation and needs. It is recommended that you seek professional financial advice from a licensed or appropriately authorised financial adviser before making any decisions in respect to your membership of the Scheme. Please note that there are no guarantees the investment performance of the Scheme's assets and the value of your investment in the Scheme may rise or fall from time to time. You should also note that past performance is not an indicator of future performance. For further information about the Scheme, you should read and consider the Scheme's Member Benefit Guide which you can obtain by calling the Manager on (08) 8204 3826.