SA METROPOLITAN FIRE SERVICE SUPERANNUATION SCHEME

SUPER INFO

Winter 2012

METROPOLITAN FIRE SERVICE SOUTH AUSTRALIA

Welcome to the Winter 2012 edition of Super Info

What's inside:

Important Concessional Contributions Cap Reminder

We have received a large number of enquiries on the Concessional Contributions Cap article that appeared in the Autumn Super Info, so we are including it again with an important additional reminder.

Many members have been adjusting the amount they have been voluntarily salary sacrificing to their accumulation account to ensure excess contributions will not be made.

The concessional contributions cap also includes any other superannuation guarantee contributions made by those employers where you might have secondary employment.

Concessional Contributions Cap

Concessional Contributions to superannuation include the employer's contribution and any compulsory contributions salary sacrificed as well as any additional voluntary contributions salary sacrificed.

From 1 July 2012 the concessional contribution limit for those aged 50 and above reduced from $50,000 to the lower level of $25,000 (previously applicable to those under age 50).

For permanent employees, both your employer and compulsory contributions (only if they are paid by salary sacrifice) are included as concessional contributions. – but these are both reported to the ATO as 'notional taxed contributions', rather than the actual contributions made, since they relate to the funding of your defined benefits in the Scheme.

(continued next page)

Please contact the Manager for an explanation of what 'notional taxed contributions' are reported to the ATO.

Contributions exceeding the respective caps will incur a very high penalty tax as levied by the Australian Tax Office. It is important that you contact the Manager for any additional general clarification you may require particularly if you are considering making voluntary salary sacrifice contributions.

You can view your concessional contributions (including the notional taxed contributions described above) received by the Scheme in the current financial year by logging on to www.samfs.superfacts.com.
Go to the 'Contributions' page and click on 'Annual contributions caps'.

Increasing the Superannuation Guarantee

As a result of the recently passed Minerals Resource Rent Tax (MRRT), Australian workers will get a gradual increase of the required employer contribution to employee super from 9% to 12%.

It is estimated that a 30-year-old on average full-time earnings would receive in excess of $100,000 extra at retirement as a result of the Government's reforms. This increase in employer super contributions will be rolled out between 1 July 2013 and 1 July 2019.

In addition to changes linked to the MRRT, the following changes have also been made to super:

- Low Income Super Contribution - an annual tax refund of up to $500. People earning up to $37,000 will get a rebate into their fund starting from 1 July 2012; and
- raising the age limit from 70 to 75 on the Superannuation Guarantee from 1 July 2013 to help employees aged 70 and over.

Together, these changes will help provide Australians with a more secure and comfortable retirement. It's also likely to boost the nation's pool of savings by around $500 billion by 2035.

It is important to note that the employer contribution to the Defined Benefit Scheme is 13% of your salary or the Super Guarantee plus 4% whichever is the greater. Employer contributions will increase as the super guarantee contribution does. The future increase in employer contributions will result in improved funding for the defined benefits in the Scheme.

Who gets your super?

We've all heard the story about the mega rich old lady who leaves her entire fortune to a dog.

Lucky dog, but the truth is bequeathing an entire estate to a pet is more Hollywood than reality.

You see within Australia, pets are not recognised as a dependant (more on that later) and therefore a provision in your will can cover where they live and who cares for them on your passing. So as much as you love your cat, dog, or budgie, you can't leave your super to them.

People not pets

You probably don't want to think about your own death. But consider it for a few minutes now and you could save your loved ones extra pain while they are grieving your loss.

For most people, their super account has two key parts that will be paid out after they pass away:

- any retirement savings; and
- insurance cover.

So to make sure this money goes where you want it to go, state your wishes now.

How do I nominate or update my beneficiary details?

The Scheme lets you nominate who you want your death benefit paid to as a non-binding nomination.

A non-binding nomination guides the super fund trustee on who will get your benefits, but the trustee still has the final say.

To nominate one or more beneficiaries or update their details, log in to your account and select update beneficiaries.

What happens when you die?

On your passing, the Scheme trustee pays your benefit to your estate, or to your dependants.

They are:

- Your spouse (including de facto and same sex partners)
- Your children (including step, adopted and ex-nuptial)
- Anyone financially dependent on you
- An interdependent relationship - a close personal relationship between two people who live together, where one or both provides for the financial and domestic support, and care of the other.

Forgotten your PIN?
Call the Helpline on 1300 132 573 and one of our friendly consultants will assist you.

Investment Terminology

People often think investing is complicated because many of the words used to describe investing are unfamiliar to them. Learning a few key terms can help take the mystery out of investing.

Five investing terms you should know:

Compounding

Compounding is what happens when your money makes money (through investment returns), and then that money makes more money – and so on. The earlier you begin saving for your future, the more you can benefit from compounding.

Performance

Performance is how an investment has behaved. Performance is usually measured in the percentage return provided by an investment over a specified time period. Performance can be positive (you make money) or negative (you lose money).

Performance information for all our investment options is available at www.samfs.superfacts.com.

Real return

Real return is the term used to describe the return on your investment after it has been reduced by the value of inflation. A real return shows the true increase in the value of an investment, rather than an increase due to inflation.

Example

Adam has invested $10,000 and it is earning 6% pa or $600 per year. If inflation is 2% pa, then in real terms, Adam's investment has increased by 4% pa or $400.

To get real growth in the value of your investment and keep up with rising costs due to inflation, the return you receive on your investment needs to be higher than inflation. That way, when you retire, you'll be better able to meet the higher cost of living.

Putting all your super in a low risk investment option may seem secure, but the reality is that less risky options usually provide lower long-term returns, which when held over many years may not be enough to keep pace with inflation.

What is inflation?

Inflation is the increase in the price of goods and services each year – so what you can buy with $10 today will be much more than what you can buy with the same $10 in 10 years time. For example, a litre of milk that cost around $1.30 ten years ago is now around $2.50 today.

Diversification

Diversification describes an approach to investing where you follow a simple rule of thumb: don't put all your eggs in one basket. If your super is invested in different types of assets (such as shares, property, bonds and cash), it could help offset losses if one type of investment does poorly.

Of course, diversification does not assure a profit or protect against a loss in a declining market.

Volatility

When investing, volatility refers to the rise and fall in value of an asset over a specific period of time. The more the value of an asset goes up and down, and the greater the extremes in value, the more volatile it is considered to be. For a super member, the volatility of an asset is reflected in its investment returns.

"…volatility refers to the rise and fall in value of an asset over a specific period of time …"

Historically, the most volatile asset classes have been shares and property. Over the 20 years from 1989 to 2009, the annual return from Australian shares has been as high as 29.2% and as low as -20.3%

Historically, the least volatile assets have been generally bonds and cash, so they usually have a smaller range of returns.

Commonly, the more volatile assets classes, like shares, provide a higher return over the long-term than less volatile asset classes. But in the short-term they can be riskier because of the tendency to rise and fall in value over short periods.

Important Check List Reminder

1 Change of Address Have you advised the Scheme of your change of address?

2 Nomination of Beneficiary Form Is your Nomination of Beneficiary form up to date?

3 Leave Without Pay Are you going on Leave without Pay? If so, all your insurance cover may cease.

4 Long Term Sick leave Members under age 60, is your sick leave due to run out?

5 Maternity leave Are you going on maternity leave? When your wages cease your insurances will be affected.

6 Working less than 15 hours per week For Permanent Fire-fighters working less than 15 hours per week, your insurance cover will be reduced to Death insurance only.

For Retained Fire-fighters there is no minimum working hours requirement.

7 Salary Sacrifice Forms Please ensure you send in original signed Salary Sacrifice forms to this office. If you fax your copies in, we still need the originals to be signed off by the employer before forwarding to Shared Services.

**Please advise the Scheme on any of the above and contact the Manager, Mr Alan Kent on 8204 3826 for any clarification you may require. Information is also available in the Member Benefit Guide on the website www.samfs.superfacts.com*

Note: If you are on extended leave at any time, you can always access the Super Info on the website.

Centrelink

What is the Age Test?

The Age Test is one of the tests that will be applied to determine whether you are eligible for the government Age Pension. Contact Centrelink or the Department of Veteran's Affairs for details. Please note that Centrelink have more than 3 tests for the Age Pension.

What is the Assets Test?

The Assets Test is one of the tests that will be applied to determine whether you are eligible for the government Age Pension. The Assets Test is based on the value of any assessable assets you own. Contact Centrelink or the Department of Veteran's Affairs for details.

What is the government Age Pension?

The government Age Pension is a regular periodic payment made by the Government that can supplement your super and any other investment income you may have in retirement (eligibility criteria applies). Contact Centrelink for details.

What is the Income Test?

The Income Test is one of the tests that will be applied to determine whether you are eligible for the government Age Pension. The amount of income you and your partner receive may affect the amount of your government Age Pension. Contact Centrelink or the Department of Veteran's Affairs for details.

What is the Work Test?

The Work Test requires people 65 to 74 years to have worked 40 hours in a 30 day consecutive period to be eligible to make contributions to super. You can make any type of contributions to super to the age of 75, excluding the Superannuation Guarantee (SG).

Funds SA Investment Performance to 30 June 2012

Table: Returns net of fees to 30 June 2012

	1 mth %	3 mths %	FYTD %	1 Year %	3 Years %	5 Years %	7 Years %
Cash	0.3	0.9	4.1	4.1	3.9	4.3	4.7
Capital Defensive	0.1	1.6	7.4	7.4	7.9	4.4	5.5
Conservative	0.2	0.7	5.6	5.6	8.1	2.6	5.0
Moderate	0.2	-0.5	3.5	3.5	7.5	1.1	n.a.
Balanced	0.4	-0.9	2.3	2.3	7.6	-0.6	4.0
Growth	0.5	-1.4	1.3	1.3	7.5	-1.6	3.9
High Growth	0.6	-2.5	-0.9	-0.9	6.8	-2.8	3.6

1. Returns are based on the post tax unit prices.
2. The taxable products were established in April 2005, with the exceptions of the Moderate product (established in July 2006)

Fraud Warning

Law enforcement bodies are calling on the banking, finance and superannuation industries to help raise awareness about the growing threat of serious and organised investment fraud targeting Australia's $1.3 trillion pool of superannuation savings.

Banks, credit unions and super funds are being asked to pass on warnings to help protect their customers from a serious threat to their retirement savings.

The Australian Crime Commission Board has established a top-level taskforce involving 19 law enforcement and regulatory agencies to combat the threat. It confirms that more than 2,600 mostly older Australians have fallen victim to this sophisticated form of investment fraud (as at June, 2012).

Both experienced and inexperienced investors are being targeted, with the ACC reporting that, as at June 2012, individual losses were $42,348 on average and have ranged from $35,000 up to $4 million.

Typically based overseas, the organised fraud groups are employing highly sophisticated methods, including legitimate-looking websites, brochures and call centres staffed with well-trained operatives.

The criminals usually initiate contact over the phone before using an array of persuasive techniques to build trust and a perception of legitimacy such as issuing media releases and setting up personal accounts, which progressively report strong returns on investment.

While fraud targeting Australia's superannuation funds is not new, investigators say the high-level of sophistication and the scale of the latest threat is concerning. Reported victims include experienced investors, some 880 registered Australian companies and 51 self-managed superannuation funds (as at June, 2012).

The taskforce has met with key industry stakeholders in the banking, financial advisory and superannuation sectors to ask for assistance in raising awareness about the threat.

For more information, contact the Australian Crime Commission, visit www.moneysmart.gov.au or call 1300 300 630.

People can protect themselves by:

- Always seeking independent financial advice before making an investment.
- Alerting family and friends to this fraud, especially anyone who may have savings to invest.
- Reporting suspected fraud to the Australian Securities and Investments Commission, via www.moneysmart.gov.au or 1300 300 630, or your local police. Any information that can be provided such as company name, location and contact details will assist with subsequent investigations and enquiries.
- Hanging up on unsolicited telephone calls offering overseas investments.
- Checking any company you are discussing investments with has a valid Australian Financial Services Licence at www.moneysmart.gov.au
- Visiting www.moneysmart.gov.au or calling 1300 300 630 for further information.

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