



# COMMUNITY NEWS

September 2009

## Welcome to this edition of Prime Super's Community News.

It's no secret that the last twelve months haven't been great for super returns. The global financial crisis has led to significant falls in share markets around the world and in many cases the value of share markets have fallen to half their peak value. The effects continue to be felt all over the world and experts are predicting volatile investment markets into the future.

However despite the battering that super took this year, it's important to remember that super is a long term investment and these short term setbacks, no matter how severe, can and will be recovered.

## The great Australian dream

Buying your own home has long been considered the great Australian dream. It's also likely to be the biggest and most daunting financial commitment (other than your super) that you'll ever make.

So, if you're in the market for your first home or wondering about what lies ahead when you are ready to buy hopefully these tips will help make the process a little less scary.

### Budget, budget, budget

This one is an oldie but a goodie. Before you start looking for a property, it's important to work out how much you earn, what your living expenses are and what's left over to cover your loan repayments.

For tips on how to draw up a budget visit [www.understandingmoney.gov.au](http://www.understandingmoney.gov.au)

### First Home Saver Account

The First Home Saver Accounts (FHSA) are the first of their kind in Australia and are aimed at providing a tax effective way for Australians to save for their first home by offering a combination of Government contributions and low taxes.

Contributions of at least \$1,000 in at least four financial years must be made into these accounts before funds can be withdrawn to purchase a first home in which to live.

For more information on first home saver accounts or to see if you are eligible visit [www.homesaver.treasury.gov.au](http://www.homesaver.treasury.gov.au)

### How much can I borrow?

The amount you can borrow generally depends on two things - the amount you have saved for a deposit, and what repayments you can afford.

#### • Bank deposit

Most banks and other lenders require that you have a deposit of at least 20% of the value of the property, and preferably more. So for a property valued at \$300,000, you would need to have saved \$60,000.

Lenders will allow you to have a lower deposit, of 5-10%, but will usually require you to take out lenders mortgage insurance. This is an additional cost and protects the lender, not you, if you fail to meet your loan obligations. If you default and the mortgage insurance is paid out, the insurance company will take action to recover the debt from you.

#### • Loan repayments

The Housing Industry Association recommends that your loan repayments should not be more than 30% of your gross (pre-tax) income.

Even if you think you can afford more than a third of your income in repayments, it's important not to over-commit yourself as it's also important to have some savings capacity just in case your circumstances change.

When considering your mortgage repayments, you should ask yourself how you would cope if you lost your job, or if you went from a two-income to a one-income family, for example, if you or your partner became pregnant or were unable to work.

### Did you know?

Most lenders have mortgage calculators on their websites. They can show you how much you can afford to borrow, how long it will take you to pay off your loan and the amount of interest you will pay. It can also help you understand realistically how much repayments will be compared to your current rental or board payments.

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## Have you seen our new website?

If you've visited our website recently, you'll no doubt have noticed that it's changed. We've torn it apart and put it back together so that it's easier for you to find what you're looking for.

[www.primesuper.com.au](http://www.primesuper.com.au)

## Go online for your chance to win \$1000

Simply register or log on to our online member services before 31 October 2009 and update your details to go in the draw to win \$1000.\*

\*Conditions apply. Total prize pool consists of one first prize of \$1000 awarded to the first eligible name drawn. The competition will run from 28/09/2009 to 31/10/2009. The draw will be held on 16/11/2009 at Prime Super (the promoter), Level 15, 190 Queen Street, Melbourne, 3000. The winner's name will be published in The Australian Newspaper on 27/11/2009. ACT Licence No ACT TP09/03003, NSW License No LTPS/09/06950. For full terms and conditions visit [www.primesuper.com.au/competitions](http://www.primesuper.com.au/competitions)

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### **But wait, there's more.....**

Just when you thought you were safe to start shopping, there are a few other costs that you'll need to factor into your budget.

All of the transaction costs associated with buying a property vary from state to state and property to property. Property experts typically recommend that buyers allow an extra 7-10% on top of the purchase price to cover these costs.

### **Stamp duty - the big one**

State and territory governments impose stamp duty on the transfer of property. After your bank deposit, this is likely to be the largest cost you'll face. The amount of stamp duty is based on the market value of the property or the purchase price, whichever is higher.

Generally, if you were looking to spend \$300,000 on a property you would need to budget for around \$9,000 to \$12,000 for stamp duty alone, depending on your state. To work out the amount of stamp duty you'll be required to pay, visit the State Revenue Office website in your state.

### **Mortgage costs**

The majority of banks and mortgage lenders charge a one off establishment fee which usually includes the property valuation cost (or this may be a separate charge), as well as ongoing fees, including monthly and/or annual fees throughout the life of the loan.

Plus if you are borrowing more than 80% of the value of the property you will most likely have to pay mortgage insurance.

Lenders will also require that buyers take out building insurance on the property they are purchasing for the full insurable value of the property.

### **Did you know?**

With such a wide range of lenders offering home loans including banks, building societies and credit unions it is important to shop around. When you are choosing your mortgage don't be afraid to ask for a better deal on fees. You can also ask for discounted interest rates or extra loan features without charge such as an offset account which could cut the amount of interest you pay.

### **Other costs to look out for**

**Transfer fee** - State and territory governments also charge a transfer fee, which again varies according to the value of the property and your state. The transfer fee is a charge to register the transfer of the title of the property from one person to another.

**Mortgage duty** - Some, but not all, state governments charge a mortgage duty. To find out what the costs are visit the State Revenue Office website in your state.

**Registration fee** - a mortgage registration fee will be charged for registering the lending institution's mortgage on the title record of the property.

## **Do we have your tax file number?**

If we don't have your TFN, you won't be allowed to make personal contributions and the Australian Tax Office may deduct triple the tax from your employer super contributions! To notify us of your tax file number call customer service on **1800 675 839**.

### **Conveyancy costs**

You usually use a conveyancer or solicitor to transfer ownership of property from the seller to the buyer. You can do this yourself by buying a DIY kit. The cost will be lower, but the risk of something going wrong are higher.

### **Inspection fees**

It is a good idea to have your property inspected for structural soundness especially if you are buying an older home. You may also want a surveyor to check the measurements that are on the title and a pest inspection to check for any problems, such as termites.

### **So, after these costs, is there any good news?**

Of course there is!

### **First Home Owners Grant**

In an effort to help Australian's break into the property market, the Federal Government offers a helping hand in the form of the First Home Owners Grant (FHOG). It is a national scheme and the conditions are the same across all states.

If you are eligible, you will receive a grant of \$7,000. The grant is not means tested, and the amount received is tax-free.

To see if you are eligible for a FHOG visit [www.firsthome.gov.au](http://www.firsthome.gov.au)

### **First Home Owner Boost**

This is another Federal Government national scheme for first home buyers in addition to the FHOG.

Currently the boost is an additional \$14,000 for a new home and an additional \$7,000 for an established home. From 1st October 2009 these rates will reduce to \$7,000 for a new home and \$3,500 for an established home. The boost will cease 31 December 2009.

### **Did you know?**

In addition to these grants you may also be eligible for first home bonus payments, stamp duty concessions or regional grants in your state. To find out more visit [www.firsthome.gov.au](http://www.firsthome.gov.au)

## **Federal Budget 2009 - Important changes to your super**

This year's federal budget proposed a number of changes to super. Here are the key changes.

### **Reduction to concessional contributions cap**

The concessional contributions cap is the maximum amount of money that can be contributed to your super savings at the 15% concessional tax rate.

Concessional contributions include your employer's Superannuation Guarantee (SG) contributions and those made under a salary sacrifice arrangement. It also includes self-employed contributions claimed as a tax deduction.

From 2009-2010, the maximum concessional contributions cap will be halved from \$50,000 to **\$25,000** a year for those aged **under 50**.

For those **aged 50 and over** the maximum will also be halved from \$100,000 to **\$50,000** a year for the 2009/2010, 2010/2011 and 2011/2012 financial years (and is not indexed). From 1 July 2012 the limit will revert to **\$25,000** (and will be subject to indexation in future years).

Contributions over the cap amount are subject to extra tax called the excess concessional contributions tax.

If you have more than one fund, all concessional contributions made to all your funds are added together and count towards the cap.

There is no change to the non-concessional contribution limits currently in place. Non-concessional contributions are personal contributions made from your post-tax pay and any spouse contributions or self-employed contributions not claimed as a tax deduction.

#### Temporary reduction of co-contributions rates and rebate

The government will temporarily reduce the super co-contribution matching rate and maximum contribution amount. However, both will return to their 2008/2009 rates in July 2014.

Contribution Year	Co-Contribution Matching Rate	Maximum Co-Contribution rebate
2008-2009	150%	\$1,500
2009-2010	100%	\$1,000
2010-2011	100%	\$1,000
2011- 2012	100%	\$1,000
2012- 2013	125%	\$1,250
2013-2014	125%	\$1,250
2014 onwards	150%	\$1,500

## GFC survival guide

You can't turn on the TV or pick up a newspaper without hearing about the global financial crisis. And while the experts keep telling us that things will get better, here are some smart tips to help you ride out the GFC.



**Use the internet not your mobile.** You can reduce your phone bill with the help from the internet. You can download free programs such as Skype and chat with family and friends this way. Visit [www.skype.com](http://www.skype.com) for more information. It could save you heaps.



**Draw up a budget.** It's not rocket science - when money is tight you need to spend less than you earn. Your budget doesn't need to be fancy but it should show you what you earn and what you need to put away each week, fortnight or month to cover all of your bills and expenses -

especially the large ones like car registration or rates if you own a property. For tips on how to draw up a budget you can visit [www.understandingmoney.gov.au](http://www.understandingmoney.gov.au)



**Put your money away.** We all seem to have a habit of spending until there is nothing left in our wallets or bank accounts and then winging it until next pay day. To help you save move your savings into an account that cannot be easily accessed at the ATM. Speak to your bank about setting up a special savings account if you don't already have one.



**Take advantage of the Co-Contribution scheme.** As long as you earn under \$60,342 pa the government will match all payments you make to your super (up to a maximum of \$1000 for 2009/2010). To see how much you're entitled to visit the Australian Tax Office website

[www.ato.gov.au](http://www.ato.gov.au) or call them on **13 10 20**. To find out how to start making your own contributions to your super call us on **1800 675 839**.



**Find your lost super.** It could pay to find out if you're entitled to a share of the \$13 billion of lost super. All you will need is your tax file number. Simply go to ATO's SuperSeeker website at [www.ato.gov.au/super](http://www.ato.gov.au/super) or call them on **132 865**. The service is free and available

24 /7. Plus if the balance of your lost super account is less than \$200 you may be entitled to it straight away. However as you never had the cash in the first place it makes sense to roll any found super into your Prime Super account to help boost your super savings.



**Become a bargain hunter.** This may mean taking the time to shop around and even looking at online shopping sites to compare prices. Don't be afraid to ask for a discount, even off a sale price. You might also be able to get a discount for paying cash.

## Want to understand money?

The Federal Government has launched an information campaign on financial literacy called 'Understanding Money.'

The aim of the campaign is to raise awareness of the benefits of financial literacy and encourage people to engage with information and resources to help them make the most of their money.

If you would like further information visit [www.understandingmoney.gov.au](http://www.understandingmoney.gov.au). You can also call **1800 236 235** for a free Understanding Money handbook.



# Want to avoid the government's Lifetime Health Cover loading?

If you don't have private hospital cover by 1 July following your 31st birthday, for every year you delay taking out private hospital cover you'll be slugged with an additional 2% loading on top of your health insurance payments.

## Prime Super members receive discounted rates\* on Manchester Unity's range of health covers.

### What are you waiting for?

So if you're approaching the big 31 and don't have private health insurance, or if you're already with another fund and want to take advantage of this great discount, there's never been a better time to join or switch to Manchester Unity.

To take advantage of this great offer or for more information on Manchester Unity's range of health insurance products call 1800 733 908 or email [primesuper@manchesterunity.com.au](mailto:primesuper@manchesterunity.com.au)

\*Discounted rates are not available on Health Cover Plus Extras only.

## Celebrating innovation

Earlier this year, Prime Super was the major sponsor of the 2009 Prime Super Northern Inland Innovation Awards.

The Innovation Awards are run by the Northern Inland Regional Development Board and celebrate the application of creative thinking in business to bring about improvements in skills, products, methodologies or processes. The awards give businesses at all levels the chance to demonstrate that with innovative thinking, there are major advantages in being located in a regional area.

The 2009 awards attracted so many high quality entries from across the New England North West region of New South Wales that the judges had an extremely hard time picking just one winner in each category.

### But there can only be one overall winner

Congratulations to Training Resource and Multimedia Studio (TRaMS) - an innovative publishing company specialising in applying multimedia techniques - for their exciting online interactive training package.

If you would like more information on these awards, please contact us on **1800 675 839**.

## Has the GFC turned you into a worry wart?

The current fragile state of the world economy has generated increased financial stress for many.

Results of a recent Newspoll survey commissioned by Lifeline found that 67% of Australians report finances as a key cause of stress in their life.

Increased stress in any area of your life can have an adverse affect on your emotional, physical and social wellbeing.

Financial pressures can also affect relationships and create conflict.

A number of Lifeline Centres offer financial counselling services that assist individuals with assessing their situation, identifying options and taking practical steps to improve their financial status.

Tips for relieving financial stresses:

- Understand your financial situation and take control. Get advice if you need it.
- Consider your priorities – focus on essentials and forget about luxuries.
- Know the difference between good debt (e.g. asset building) and bad debt (e.g. credit card debts).
- Understand that financial situations change – sometimes rapidly sometimes over a long period.
- Realise that every situation is different. Financial security can depend on earning power, life stage and spending habits etc.
- You can't control everything – there are external environmental factors at play. Control what you can and learn to manage the things you can't.
- Make small steps to improve your situation – change won't happen immediately, you need to be committed to your finances in the long term.
- Don't live in denial – if you have financial problems acknowledge them now, don't wait for the situation to get worse.
- Empower others! Help others who may be experiencing the same problems that you've already learned to cope with.
- If you feel you are not coping emotionally, seek help from a counsellor or call Lifeline on **13 11 14**.

## How well do you know your Australian trivia?

Test yourself against your workmates, friends and family.

### Q. How many ships were in the First Fleet?

A. Eleven

### Q. What is the largest structure in the world built by living organisms?

A. The Great Barrier Reef

### Q. When were women allowed to vote federally?

A. From 1902 (but from 1894 in South Australia)

### Q. Who is Australia's only Nobel Prize winning author?

A. Patrick White

### Q. What were Ned Kelly's final words?

A. Such is life.

### Q. In what year did Federation occur?

A. 1901

### Q. What is a bunyip?

A. A beast from Aboriginal mythology.



# Call 1800 675 839

# [www.primesuper.com.au](http://www.primesuper.com.au)

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