# Community news

AUGUST 2010

# Welcome…

… to this edition of Prime Super's Community News.

**What a year it's been. If 2008 and 2009 go down in history as the years of the Global Financial Crisis (GFC), then 2010 must surely be remembered as the year Australia avoided recession when almost all other advanced economies did not.**

Of course it wasn't all smooth sailing. Domestic factors such as the uncertainty surrounding the government's proposed Resource Super Profits Tax, and global events (like the instability of Greece's economy) continue to cause volatility in the markets. But overall, Australia has fared better than most with many sectors showing early signs of recovery. It would seem that the panic and shock of the last two years has largely been replaced with renewed, albeit cautious optimism.

Investments markets have always contained an element of unpredictability.

Because superannuation takes a long term strategy it is better placed than most other investment vehicles to ride out the storm. We have worked hard over the last couple of years to minimise the effects of fluctuating investment markets and look for new opportunities for positive growth.

The strength of this approach has been reflected in our largely positive results to 30 June 2010. During the course of the year we changed our asset allocation to align ourselves with a stronger long term focus. Shifting our Default investment option from primarily balanced assets to growth assets places us in a better position to answer the long term super needs of our members, the majority of whom have many years until retirement. But our focus hasn't just been on minimising the impact of the GFC. We've also remained committed to improving the benefits we provide to our members.

Over the year these have included:

- Improved insurance arrangements providing members with extra benefits for no extra cost.
- A new partnership with Industry Fund Financial Planning to provide quality independent financial advice to members.
- A new online superannuation calculator to help you calculate how much super you're likely to have when you retire, as well as how long your money is likely to last you in retirement. It will also show you how contributing more or less to your super can affect your overall balance.
- The appointment of a regional manager to service New South Wales.

For further information on any of these great improvements please contact our Customer Service Centre on **1800 675 839**.

# Your Super – retirement friend or foe?

If you're like most 30-40 somethings the thought of retirement is still a blur on the horizon. With the kids, the pets, the mortgage, the car repayments, credit card bills and (hopefully!) the next holiday to plan, retirement probably feels like a lifetime away and adding to super is just not a priority.

**Of course, you know that your employer makes regular contributions for you and, like most people, you probably assume that these contributions will be enough to fund your retirement.**

Think again. Industry research shows that the 9% compulsory super guarantee (SG) is unlikely to be enough for most people to maintain a standard of living equivalent to what they enjoyed whilst working. In fact those in the know believe that you need to contribute

at least 12% of your wage in order to maintain your current standard of living in retirement.

So while retirement may be a long way away, now's the time to start putting some thought into growing what is likely to become one of your biggest assets and a key factor that will determine the kind of retirement you lead.

### Treat your super like a friend

Super can be your best friend in retirement provided you invest in the relationship from the beginning. With many things in life, it's the little things that count and this definitely rings true for super. Contributing a little extra now can make a real difference to the size of your final balance come retirement.

### I hear you, but I've got a mortgage...

One of the biggest dilemmas people can face is what to do with any extra cash they might have after all the bills have been paid. Do you use the money to pay off your mortgage or do you contribute it towards your super? There is no right or wrong answer here. You need to sit down and work out what's important to you. Whether you decide to put the money towards your mortgage, put the money in the bank, or contribute it to your super will depend on what's most important to you.

If you are inclined to put a little extra into your super account, you should speak to a financial planner about the best way to contribute to your super.

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# Federal Budget 2010 – Super Highlights

Federal Treasurer Wayne Swan delivered his third budget on 11 May 2010.

**As promised, the budget was 'no-frills' and if anyone was hoping to find some 'pre-election sweeteners' in it, it is likely that they would have been disappointed.**

Instead the Treasurer argued that this budget was about positioning the government as fiscally responsible and reducing the large budget deficit as quickly as possible.

But the 'no-frills' budget did include some (mostly positive) changes to super. According to Mr Swan, these changes will "boost national savings, support investment and help give Australians the financial security they deserve in retirement."

So just what changes to the super system are the government proposing?

**The positives**

- An increase in the Super Guarantee from 9% to 12% by 2020. According to the Treasurer, for a 30 year old on an average income, this will equate to an extra $108,000 in retirement.
- An extension of the Super Guarantee age from 70 to 75. This means anyone working past age 70, will be entitled to employer funded super until they reach age 75.
- A refund of the 15% contributions tax to low income earners who earn less than $37,000. This could potentially mean an extra payment of up to $500 a year, paid into their super account.
- A permanent increase in the concessional contributions cap for people aged over 50 to $50,000 for superannuation balances under $500,000. This comes into effect after 1 July 2012 and will hopefully allow older Australians with small account balances to save more.

**The not-so-positives**

- A permanent reduction to the co-contribution matching rate. Last year the government announced it would temporarily reduce the co-contribution matching rate from 150% (where you received $1.50 for every $1.00 you contributed to your super) to 100% (dollar for dollar).

  This year they've decided to make the reduction permanent and save an estimated $840 million dollars in the next four years.
- A two year freeze on indexation of the income threshold for the co-contribution. This means the current thresholds of $31,920 and $61,920 will remain in place until 2011-12.

These changes are not a done deal. The majority of the super changes (and a few others) are to be funded by the government's Resources Super Profits Tax (RSPT). But with both the Coalition and the mining industry opposed to the new tax it looked like the government would have to reconsider these measures.

However, fast forward a couple of weeks and we not only have a new Prime Minister but also a compromise on the RSPT with the big mining companies (and a name change to the Mineral Resources Rent Tax).

Of course there is still a Federal election which may also have an impact on whether these changes are implemented. The Opposition has indicated it is not supportive of the Mineral Resources Rent Tax or the proposed changes to super.

We'll all need to watch this space to see how the events of the next few months unfold and what impact they're likely to have on our superannuation system.

# What could your super be worth in the future?

Unfortunately we don't have a crystal ball so we can't tell you exactly how much you'll have when you retire.

**But we do have a handy new super calculator which can give you a sense of what your retirement balance is likely to be when you retire.**

All you have to do is input a few of details (eg. your age, yearly salary, voluntary super contributions and when you want to retire) and the calculator will assess the health of your super. It can give you an indication of what your balance is likely to be when you retire and how long your balance may last you in retirement. You can also adjust your info to see how making extra contributions may affect your end balance.

# Superannuation for the self employed

While there are many perks to being self employed, one downfall is that there is no-one to make automatic payments into your chosen super fund for you. The responsibility of funding your retirement rests entirely with you.

**Research by the Association of Superannuation Funds of Australia (ASFA) indicates that a large number of self-employed Australians have little or no super, and no other retirement savings.**

According to ASFA, while the self-employed comprise over 10% of the paid labour force, they have relatively low levels of superannuation. Around 26% of the self-employed have no superannuation, while a further 53% have super balances of less than $40,000.

Many self-employed people believe the sale of their business will fund their retirement but while this may work for some, the recent GFC has shown that it's not always a fail proof method. Life can throw up the unexpected and if this means you are unable to sell your business when and how you planned or for the price you were expecting, your retirement dreams could be thrown into disarray.

Making regular super contributions throughout your working life can give you the peace of mind of knowing you'll have enough money to see yourself through retirement irrespective of a smooth and profitable business sale.

### Things to consider if you're self-employed

#### Tax deductions

If you're under 75, you may be able to claim a tax deduction for contributions you make into your account. To be eligible you must earn less than 10% of your total income from employment as someone else's employee. You can claim a full deduction for contributions up to $25,000 if you're under 50 or $50,000 if aged 50 or over.

#### How do I claim a tax deduction?

If you intend to claim a tax deduction on your self employed contributions you will need to complete a Deduction for personal super contributions form (NAT 71121). This is an ATO form that you'll need to complete each year to tell us which contributions you want to claim a tax deduction for. You can either download this form from the ATO website **www.ato.gov.au** or call us on **1800 675 839** and we'll send you a copy.

#### I own a company. Am I eligible?

If you own a company, super contributions made by the company are treated as employer contributions, so will usually be eligible as tax deductions for the company.

Check with your accountant or the ATO if you have further questions.

#### What happens if I don't claim a tax deduction?

If you don't claim your contributions as a tax deduction they will be regarded as voluntary contributions and you may also be eligible for a Government co-contribution.

#### How can I make a contribution?

Making a contribution to your Prime Super member account is super easy. We have a number of different payment options – BPAY, Direct Debit, EFT or cheque – all you have to do is choose the option that best suits you.

Once you've chosen your payment option you can either:

- Log on to your online services member account to make a contribution, or
- Complete a Personal Contributions Form and send it to us.

### Insurance

Another important thing to consider if you are self-employed is how your income and livelihood might suffer if you are unable to work due to illness or injury. We offer a great range of insurance options including life, income protection, and total and permanent disablement cover, which can provide protection against this risk. Give us a call on **1800 675 839** to find out more.

# Investment returns

It's great to once again be providing members with largely positive returns across our investment portfolios in the wake of the global financial crisis.

**Our default option is now "back in the black" and our return reflects our cautious and steady approach to avoid the potential pitfalls that could result from a GFC double dip recession.**

Our performance over the last 12 months has been impacted by three core environmental factors:

- The volatility of the various investment markets we operate in,
- Our cautious approach to investing while the ongoing impact of the GFC remains uncertain, and
- Our investment style that sees our unlisted assets lag any strengthening in the markets generally.

| Investment Performance for the year to 30 June 2010 | | |
|---|---|---|
| | Superannuation Fund | Income Stream |
| **Pre-mixed options** | | |
| Default* | 4.16% | 5.40% |
| Managed Growth | -3.18% | -3.71% |
| Conservative | 2.93% | 3.50% |
| Target Return | -4.09% | -4.74% |
| **Sector options** | | |
| Australian Equities | 9.83% | 11.00% |
| International Equities | 2.16% | 2.89% |
| Property | -4.56% | -5.20% |
| Fixed Interest | 7.19% | 8.25% |
| Cash | 3.22% | 3.83% |

** previously known as the Balanced option.*

Investing for your retirement remains a long term activity and results over your working life need to be considered not just the impacts of a couple of difficult years.

We remain positive that the approach we are taking reflects our core values of security, caution and investing for the long term.

# We've increased your insurance benefits!

From 1 May 2010, all eligible Prime Super members with insurance received increased cover for no extra cost.*

**Some of the key insurance benefits include:**

- An increase in Death and TPD cover for all members at no extra cost.
- Reduced Income Protection premium rates for all members with the option to increase your benefit to 85% of salary (where you are insured over 75%, the extra 10% will be paid into super). This means members pay less for the cover they've already got.
- Online underwriting offering an easier and faster process for new and extra cover applications.
- Introduction of special 'life stage' events. This means when you reach a special life stage, like buying a house or having children, we'll make it easier for you to apply for extra insurance.
- If you have insurance cover with another fund, we'll match it (up to certain maximums).

**Want to find out more?**

All of our new insurance scales are available on our website **www.primesuper.com.au**. If you'd like to speak to someone about your insurance needs, contact your local Regional Manager or call our Customer Service Centre on **1800 675 839**.

**The increase in benefits applies to all members with insurance cover who were working or capable of working on a full-time basis on 1 May 2010.*

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A planner can help you decide whether it's more tax effective to salary sacrifice into your super or whether you'd benefit from contributing from after-tax income and taking advantage of a government co-contribution.

**Make an investment choice**

It's important that you pick an investment option that takes into account your appetite for risk, your personal situation, your financial goals and your investment timeframe.

**Consolidate, consolidate, consolidate**

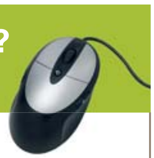
If you've changed jobs in your lifetime, lived in different places or had a career change, there's a good chance that you will have multiple super fund accounts.

Getting your super together in the one place makes sense. Not only does it mean you'll stop paying multiple sets of fees. It also means your super will be easier to keep track of, you'll only have to make investment decisions on one super account and you'll have a larger balance from which to grow your super.

**Consolidating your super accounts is easier than you might think.**

1. Track down all your different super accounts. If you've lost contact with your old funds, try the ATO's Super Seeker website – **www.ato.gov.au/superseeker**, or contact your old employers. They may be able to point you in the right direction.
2. Fill in a separate consolidation form for each super account you want to transfer to Prime Super. You'll find our Rollover form on our website **www.primesuper.com.au**.
3. Send your completed forms back to us with certified copies of your identification and we'll do the rest!

## GET ONLINE… Do you manage your banking online? Then why not manage your super online too?



You're likely to save yourself heaps of time and save the environment from more unnecessary paperwork. Signing up for an online super account means you can track your super contributions, any earnings made on your super investment and make changes to how your super account is managed, all from your own PC and minus the usual time consuming paperwork. To register for an online account visit **www.primesuper.com.au**

## Did you know?

**There is no requirement to withdraw your superannuation at any particular age – you can keep it invested for as long as you wish. When you become eligible to withdraw your super, you can take it as one lump sum, as regular pension payments or as a combination of both.**

**Think you may have some lost super? The Australian Tax Office's Super Seeker has a facility for tracking down lost super. All you need is your tax file number and internet access. Log onto www.ato.gov.au/superseeker and see what you can find.**

**By not consolidating your super you will be paying multiple sets of fees which can eat into your final super account balance. That's your hard earned money down the drain. Call us to consolidate your super accounts today.**

**As a nation we are more likely to insure our car than our far more valuable asset – our ability to earn an income. Life insurance and income protection are essential considerations if you want to protect yourself and your family against avoidable financial stress following a serious illness or accident.**

**Once you take your money from the super environment, the concessional tax treatment that super money receives is no longer available. If you draw down a lump sum and invest it outside of super, income generated by those investments will be taxed at your marginal tax rate.**

**By not providing a tax file number you risk paying 46.5% tax on your employer contributions instead of 15%. Don't risk paying unnecessary tax – make sure we have your tax file number today.**

**By not checking if you are eligible for benefits such as the government co-contribution scheme you could potentially be missing out on thousands of free dollars.**

**Take your lunch to work. If you work full time that's an extra $2,600 over the course of a year. It will give you some handy extra cash come Christmas time or, better still, invest it in your super and watch it grow even further.**