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**.

Making the most of your retirement

We spend over half of our lifetime slogging it out in the workforce, so it's no surprise that most of us dream of retirement and the chance to kick back, relax and enjoy some much earned 'me time'.

Yet as the prospect of retiring draws closer the thought of what to do with all that free time can start to feel a little daunting.

Aside from the obvious financial changes, the move into retirement represents a fairly drastic change of lifestyle. You need to consider not only how your finances will be managed, but also how you will handle not having to go to work each day and what you're going to do with your free time, now that you're likely to have so much more of it.

It's not always smooth sailing

One of the biggest selling points of retirement is that it gives you the chance to enjoy many of the things you may not have had time for up to now.

For some people this transition will be smooth and welcome spent doing things they've always dreamed of. But for others, whose sense of purpose and source of social interaction is intimately linked to their job, the change can be unsettling and less than ideal.

It's important to have a plan

As with most things in life, it pays to have a plan. You might not stick to it, but putting some thought into how you will spend your time can help reduce the risk of boredom or loneliness. For some people retirement can provide an opportunity to undertake further study, take up a new sport or hobby, volunteer for a not-for-profit organisation, train for a marathon, mentor a young person or travel somewhere new. Whatever takes your fancy, having a new area of focus after retirement makes the transition easier in many ways.

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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.

Estate Planning

Nobody likes talking about death, especially with loved ones. Instead we often bury our heads in the sand and cling to the misconception that we and the ones we love will live forever.

Sadly, this is not the case and although estate planning is a difficult topic to talk about, the consequences of avoiding it can be devastating.

Your financial assets could end up with people who you would not have chosen yourself, you could leave the people you want to take care of in financial hardship or most heartbreakingly, family relationships could break down due to disagreements over the division of assets.

Estate planning is especially important for anyone with assets. It is also more than just a will. It is a means of helping you get the most use and enjoyment from your assets while you are still alive while also ensuring that your assets are distributed according to your wishes.

It's also a process that can give you the peace of mind of knowing that those nearest and dearest will be provided for after your death.

Unlike a will, an estate plan also takes into account your super and powers of attorney, assets held solely in your name or jointly with others, as well as assets held in private companies or trusts. It is a process designed to help protect all the wealth you have built over your lifetime.

Is it something I need?

No matter how simple you feel your situation is there are many facets to estate planning you should consider.

If you have assets, debts, dependants, people who rely on you financially, or a complicated personal and/or financial situation, you should really consider estate planning.

A good estate plan will:

- Ensure that ownership and control of your assets pass to your intended beneficiaries in portions determined by you.
- Minimise the tax payable on the income and capital gains earned on those assets.
- Protect assets if a beneficiary is involved in legal difficulties (eg. divorce).

It's also important once your plan is in place to remember to review it every three years or when your personal or financial circumstances change significantly.

Things to consider

- Your estate's net worth, taking into account assets, debts and liabilities.
- Whether there will be sufficient funds to ensure all members of the family are treated fairly.
- Whether an Enduring Power of Attorney is necessary.
- Guardianship for any minor children.
- If adequate and up to date insurance policies are in place.

The next step

There are a number of ways to obtain advice on what's available to you for developing an estate plan for your specific requirements. However the process can be complex so it's a good idea to seek professional advice from a financial planner or solicitor.

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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.

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.*

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.

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.

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Easing into the transition

When it comes to making the actual transition there are a number of different approaches. Some people retire at the earliest possible age, finishing work one day and entering full retirement the next.

Others prefer to make the move gradually, perhaps moving to part-time employment for a few years before stopping work altogether. This can be a great option as not only does it mean you will continue to receive a wage, it also means that you can continue to benefit from the social aspects of a job. In addition, you'll have some free time to start pursuing the activities that will take on more prominence once you reach full retirement.

Your super can help

While the idea of working less is definitely appealing, part-time work usually also means a part-time wage – not exactly ideal when you still have bills to pay.

This is where your super can help.

With a superannuation transition to retirement strategy, you can access your super while you're still working as long as you've reached your preservation age.

How does it work?

You can take advantage of the transition to retirement option by rolling the money in your super account into an income stream. Once you've done that, you can start receiving regular payments from your super.

This means that you can reduce the hours you work without sacrificing your lifestyle since your salary is supplemented by regular payments from your income stream.

Alternatively, you can continue to work full-time and use the additional income to enjoy life's luxuries. Or you could reap the tax benefits of salary sacrificing more of your wage into super (effectively paying the 15% contributions tax rather than your tax-rate) and continue to build your retirement nest egg.

Feeling confused? Help is out there

Opting to take a slower route to retirement can help you gradually adjust to one of your biggest lifestyle changes. However, it goes without saying that if you are now faced with such decisions it pays to seek the advice of a trusted financial advisor.

A financial advisor can put in place a financial plan that takes into account your needs and wishes, while taking into consideration all the government rules and regulations that may work to your advantage.

When thinking about a financial plan it's timely to also start thinking about a lifestyle plan as how you choose to spend your time is just as important as how you choose to spend your dollars.

What's my preservation age?

Date of Birth	Preservation Age
Before 1 July 1960	55
1 July 1960 – 30 June 1961	56
1 July 1961 – 30 June 1962	57
1 July 1962 – 30 June 1963	58
1 July 1963 – 30 June 1964	59
After 1 July 1964	60

Industry Fund Financial Planning

If you'd like to talk to someone about your retirement options, give our financial planning partner, Industry Fund Financial Planning a call. They are qualified to provide you with unbiased advice and charge on a fee-for-service basis so you only pay for the time it takes to prepare and implement your plan. Plus they do not accept commissions for recommending a certain product, and are only interested in giving you appropriate advice.[1] Give them a call on 1300 138 848 to find out more.

[1] *Industry Fund Financial Planning is a division of Industry Fund Services Pty Ltd (IFS), ABN 54 007 016 195, AFSL 232514. Industry Fund Financial Planning operate on a fee-for-service basis and do not accept commissions.*

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.

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As a Prime Super member, one of the most cost effective ways you can seek estate planning advice is through our financial planning partner, Industry Fund Financial Planning. They are qualified to provide you with unbiased advice in estate planning and charge on a fee-for-service basis so you only pay for the time it takes to prepare and implement your plan. They do not accept commissions for recommending a certain product and are therefore, only interested in giving you appropriate advice.[1]

For more information on estate planning, contact Industry Fund Financial Planning on 1300 138 848, your own financial planner or your solicitor.

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