Community news

PRIME SUPER Part of your Community

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.

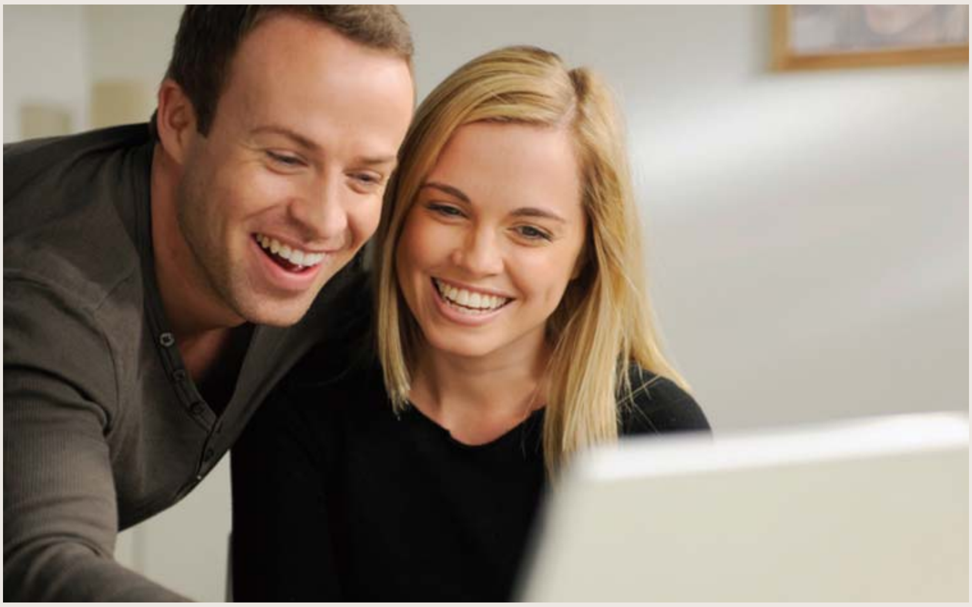
Over the year these have included:

- 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**.

Knowledge is power when you're under 30

When you're in your 20s, things like superannuation, financial education, wealth building strategies and investment knowledge can all seem a little dull and irrelevant.



That's totally understandable when you consider you've got more important things to worry about like buying a car or deciding where to go on Saturday night.

However the reality is it pays (literally) to start your financial education early. Even if you have no intention of making any big financial commitments in the near future, a few smart decisions now could make reaching financial goals later in life that little bit easier.

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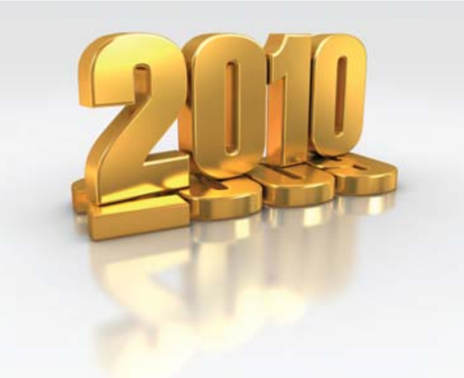
Federal Budget 2010 – Super Highlights

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

- A permanent 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.

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And although 'later in life' may seem like a lifetime away when you're in your 20s, your 40, 50 and 60 year old self will thank you for giving them the right financial start.

Set a savings goal and stick to it

Are you in the market for a new car or maybe a big overseas trip? Whatever you're dreaming of, saving for a short term goal now will instill in you an invaluable habit for the future. Plus the sense of achievement in reaching your goal will often motivate you to aim higher.

Get your credit cards back to a zero balance

Credit is a lot easier to get than it is to get rid of. If you're one of the thousands of young Australians with credit card debt, start paying it off! Target the cards with the highest interest first and consider options for rolling your debt into one easy to manage loan.

Aim to pay more than the minimum repayment and once you get back to zero file your card away for planned purchases only.

Or if credit cards equal temptation, consider doing away with them all together!

Draw up a budget

Putting together a workable budget is a great way of learning to live within your means and it's a sure fire method of kick starting some real savings. Time is on your side in your 20s so any savings you can build now will take advantage of compound interest over the long term. Compound interest is a powerful tool, making the money you save today far more valuable than anything you put away later in life.

Start to educate yourself on wealth building strategies

Knowledge is power. The more you know and understand the harder you can make your money work for you. One of the best things you can do in your 20s is to educate yourself.

Read a book, research on the internet, take a course, talk to financially savvy people – whatever your preference make it a goal to grow and improve your financial knowledge every 6 months.

Don't forget your super

Becoming financially literate and planning your financial future should also involve understanding the basics of your investment in super. After all, every year at least 9% of your salary goes into super. Surely it's in your best interests (now and when you retire) to make sure your super is working hard for you.

Learning about how money can work for you when you're young helps build the foundations for a stable financial future and increases the likelihood of you being in a position of financial choice rather than financial need later in life. Start thinking today about how you can make your money work harder for you. Whether it's boosting your super through personal contributions, paying off your debts or saving for a house, every dollar invested today, counts in a big way towards your goals for tomorrow.

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.

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.

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.*

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 your 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.*

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.

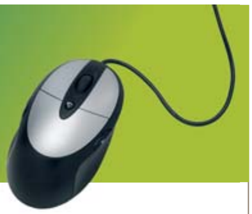
But we do have a handy new super calculator which can give you a sense of what your retirement balance is likely to be when you retire.

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.

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**

You don't have multiple bank accounts so why have multiple super funds?

Nobody likes paying bank fees – it's one of the main reasons most of us only have one bank account. The same should apply to our super but sometimes it doesn't.

So why is it that we're happy to whinge about bank fees while most of us continue to pay multiple sets of fees on super accounts that in most cases we don't really need and often don't even know we have?

When you look at these costs over time, we're talking thousands of dollars wasted on fees. So, if the number of super funds you have is roughly the same as the number of jobs you've ever had, it's time to think about consolidating.

Consolidating your super into Prime Super is as easy as 1, 2, 3

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.
3. Send your completed forms back to us with certified copies of your identification and we'll do all the heavy lifting! All you have to do is sit back and watch your super savings grow.

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