

Spring 2013

Your Victorian Independent Schools Superannuation Fund newsletter

SUPER VIEWS



Over 20% return for many VISSF pension members



VISSF's pension investments delivered crediting rates of 25.6% for All Growth and 20.2% for the Balanced option for the year ended 30 June 2013.

Pension returns are calculated by financial year, not the 31 January school year used for updating superannuation accounts.

VISSF pension balances in the Conservative option received an 11.5% return, while Cash delivered 2.9%.

The 3 year compound average returns to June 30 are 10.4% for All Growth, 10% for Balanced, 8.6% for Conservative and 4.0% for Cash.

A VISSF account based pension offers members potential for a regular, flexible retirement income, with tax benefits.

Some members use their super pension to 'transition' to retirement, drawing a regular pension to supplement their

income while they reduce work hours, or to help them salary sacrifice more into super. Due to the tax advantages of salary sacrifice – where people arrange with their employer to put pre-income-tax money into super – there's potential for pension account holders to end up with more in superannuation, even though they're drawing a pension.

Here's the experience of one VISSF member: "To me, having the pension within VISSF was a natural progression, particularly since I was still employed and would be salary sacrificing into the Fund.

"I never thought I'd put my super money elsewhere."

To find out more about VISSF's account based pension, see vissf.com.au > What we offer > Account based pensions, or phone 03 9258 6750.

Note: Past earnings are no indication of future earnings.



TIP:

Consider seeking superannuation pension advice from a professional financial adviser, remembering VISSF members can access advice at special rates through the Fund's financial planning partner – phone 03 9258 9524.

Changes to caps

People nearing retirement can have more contributed into superannuation per year without having to pay extra tax, as a result of law changes.

While most people can contribute up to \$25,000 a year in what are known as concessional contributions – these include their employer's 9.25% super guarantee contributions – for 2013/14 people aged 60+ have a higher cap of \$35,000.

For 2014/15, this higher cap will also apply to those 50+.



Super together: Australia & New Zealand

From 1 July this year, Australians and New Zealanders who move across the Tasman Sea are able to consolidate their retirement savings in their country of residence and avoid paying fees and charges on accounts in two countries.

Australians moving to New Zealand, and New Zealanders returning home, can consolidate their Australian super with their New Zealand retirement savings.

Similarly, New Zealanders who move to Australia will be able to bring their New Zealand retirement savings with them. It's known as the trans-Tasman retirement savings portability scheme.

Last year alone, more than 60,000 people moved between the two countries.

If you have retirement savings in New Zealand that you're interested in consolidating with your VISSF account, phone the Fund on 03 9258 6750.



Eye on investment markets

After beginning 2013 strongly, share markets gave up some of these gains in June when volatility spiked higher on the back of comments from the US Federal Reserve chairman.

The Federal Reserve chairman said the central bank might begin to unwind its quantitative easing program sooner than expected, signalling the end of the 'easy money' that helped pull the US economy out of recession.

Another dampener was some disappointing Chinese economic data, particularly softer manufacturing and growth figures.

In Australia, while the market benefited from falling domestic interest rates and a strong lead from overseas markets, gains were limited by the US Federal Reserve comments, as well as a series of softer domestic economic data which pointed to slower growth this year.

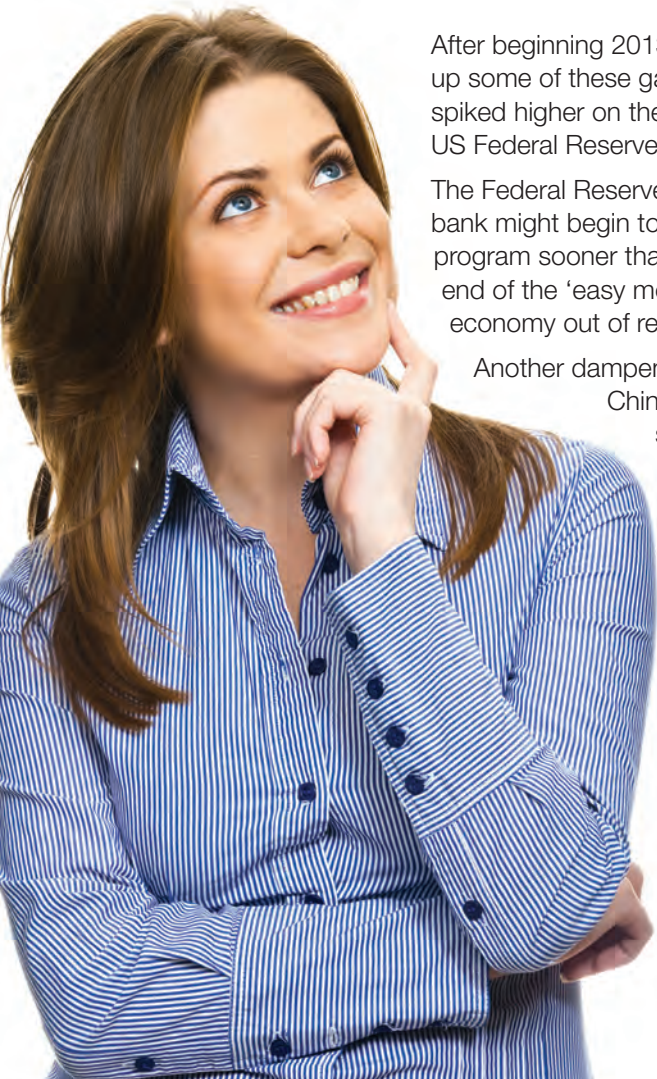
In August, the Reserve Bank of Australia reduced the official cash rate to a historical low of 2.5 per cent, noting that global growth was running a bit below average this year and the Australian economy had been growing a bit below trend over the past year.

This lower official cash rate means it's very likely returns on the Cash option will be down.

For the six months to 30 June 2013, asset class returns[^] were:

- Australian shares 5.0% (S&P/ASX 300 Accumulation Index)
- Global shares 13.2% hedged to Australian dollar (MSCI World ex Australia Net Accumulation Index in Australian dollars)
- Australian bonds 0.6% (UBS Warburg All Maturities Composite Bond Index)
- Global bonds 0.0% (Barclays Global Aggregate Bond Index hedged to Australian dollar)

[^] Before tax and investment management costs



MySuper initiative

You might have read about the Government's *MySuper* requirements for default funds – where employers must pay super contributions to, for workers who have not chosen a super fund.

MySuper accounts should offer low fees, simple features so members don't pay for services they don't need, and single or life stage investment options.

From 1 January 2014, if individuals have not chosen a super fund, their employer must pay their super to a fund that offers *MySuper*. For people in existing default funds, their fund has until 1 July 2017 to transfer their balance into a *MySuper* account.

VISSF is seeking to have its existing Balanced accumulation option authorised as a *MySuper* product from 1 January 2014, subject to approval by the regulatory authority APRA, with no anticipated changes in fees, investments or insurance. The VISSF Balanced option is one of the most competitive in the market in relation to investment returns and member fees.

For example, the annual fees for a member with an account balance of \$100,000 is \$872, which is significantly less than the cost of some other funds in the school sector.

For most VISSF members and participating employers, there will be no need to change existing arrangements. More news will be shared as available.

To coincide with the *MySuper* 1 January 2014 plans, the VISSF Trustee has decided to cease small accounts protection from that date. The Government rule that balances less than \$1000 would not have an administration charge deducted that was more than interest credited was abolished from July 2013.



Covered for 'what if'



TIP:

Members facing a potentially claimable circumstance should check with VISSF about their cover before their sick leave runs out.

If you're faced with injury, serious illness or death, do you have enough insurance cover for your needs?

While most VISSF members automatically have some cover, they should consider if this is adequate – and perhaps apply for extra death and total and permanent disablement insurance or disablement income cover.

Insurance through super can be surprisingly affordable.

Many VISSF members have experienced the value of insurance, with the Fund's insurer paying out over \$3.3 million to members over the past five years.

Real members shared their stories in VISSF's latest annual report:

When Margaret became seriously ill, she received disablement income payments for two years as a result of her VISSF

insurance. Unable to return to work, she then received a lump sum payout of total and permanent disablement insurance.

"When everything goes along, you don't consider this type of insurance, but I tell everybody to make sure they are covered," she says.

Another VISSF member suddenly lost his life. Fortunately for his young family, he had additional voluntary insurance through VISSF. They received a considerable insurance payout, helping support them given the loss of their husband and father.

To find out more about increasing your insurance, see vissf.com.au > What we offer > Insurance needs. Check out the insurance calculator under > Your tools & resources. Members can also phone 03 9258 6750.

* Name changed for member privacy.





You asked...

Q. What happens to my super if I change employment?

A. This depends on whether you transfer to an employer who is already participating or is prepared to start contributing to VISSF. If you no longer have an employer contributing to VISSF, your balance may be transferred to VISSF's retained benefits section. There can be a variety of implications – particularly for defined benefits – so if you're considering changing employment, have a read of page 16 of VISSF's latest annual report, available at vissf.com.au or phone 03 9258 6750.

Q. Why do super funds require members' Tax File Numbers (TFN)?

A. It is not compulsory to provide your TFN. But Government rules state that if you do not, your fund may not be able to receive some contributions to your account, including any super co-contribution. It may also have to tax employer contributions including salary sacrifice contributions at the much higher rate of 46.5%.

If you have a super-related question for future editions, please email it to super@vissf.com.au

Pension withdrawal limits

The minimum percentage amounts which the Government requires super pension holders to withdraw from their balance each year has returned to normal levels, after previous reductions. For 2013/14:

Age	55-64	65-74	75-79	80-84	85-89	90-94	95+
Minimum withdrawal	4%	5%	6%	7%	9%	11%	14%

Big money

The value of superannuation is quite staggering, as these figures show:

\$1.6 trillion in Australian super funds

\$14 billion in lost and unclaimed super

\$560 million of members' superannuation in VISSF



Your super if you pass away

Remember that superannuation does not automatically form part of your estate. Death benefit disputes are one of the most common areas of complaint to the Superannuation Complaints Tribunal.

If you want certainty about where your super will go if you pass away, make sure you maintain an up-to-date binding death nomination.

By law, these nominations need to be confirmed or updated every three years.

The nomination form is available under > Your tools & resources at vissf.com.au

Name change

VISSF's administrator WHK has re-named as Crowe Horwath. As a result, the Fund's financial planning partner is now known as Crowe Horwath Financial Planning.

On the move?

Don't forget to update your contact details with VISSF.



The Victorian Independent Schools Superannuation Fund



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