Spring 2014

Your Victorian Independent Schools Superannuation Fund newsletter

SUPER VIEWS

VISSF
An education industry super fund
GROW WITH US

Get it together for smoother super

If you've ever changed jobs, chances are you may have more than one super account. At VISSF, it's easy to combine any other super accounts you have into your VISSF account. We can even help you find it by performing a free search if you have lost your paperwork, or are unsure which funds hold a super account balance for you.

Just go to vissf.com.au/forms-you-need

- if you would like us to search for any lost super you may have, use 'Search for my Super'
- to transfer your balance from a different fund into VISSF, use 'Transfer whole of benefits between funds'

You should check with your other fund/s whether they charge any exit or withdrawal fees for moving your benefits or if you will lose any benefits upon withdrawal, including any insurance entitlements for death and/or disablement.

Top reasons to get your super together

Having more than one super account can make it hard for you to see just how much super you've got. By combining your accounts you'll:

1. Pay just one set of fees, which could make a significant difference to your retirement savings over time
2. Know exactly how much super you have, with less chance of losing touch or missing out on your hard-earned savings
3. Control your position, making it easier to manage your investment strategy and reach your goals
4. Save time because with only one set of paperwork to keep track of you can concentrate on watching your super's progress

TIP:

By law, super funds have to transfer any lost or inactive accounts to the Australian Tax Office (ATO). This means affected account holders could lose any insurance cover they had and potentially earn less interest on their accounts than if it was invested in a super fund.

The best way to make sure your super doesn't end up with the ATO is to keep your contact details up to date. Let VISSF know today if any of your details have changed. Call us on 03 9258 6750 or use Member Login online.

Investment markets at a glance

While it's important to remember superannuation is a long term investment, it's interesting to keep up to date with what's happening in investment markets over the shorter term. Here's some news from our partner Russell Investments for the three months ended 30 June 2014…

Share markets up

Global share markets made reasonable gains, fuelled by encouraging first-quarter US earnings results and increasing expectations the US Federal Reserve will keep interest rates lower for longer. Other positives were the European Central Bank's decision to cut interest rates, as well as a pickup in global manufacturing activity. However, there were concerns about the speed of the euro-zone's recovery and the increasing geopolitical uncertainty in the Ukraine and Iraq.

Continued inside…

Australian shares advanced over the quarter, benefiting from expectations that domestic interest rates would remain steady. The Reserve Bank kept interest rates at a historically low 2.5% throughout the period. Other contributors were the increase in merger and acquisition activity, as well as some encouraging domestic economic data.

A surge in exports and surprisingly strong household spending saw the Australian economy expand in first quarter 2014, with gross domestic product jumping 1.1%. On an annual basis, the local economy grew 3.5%, well above the 3.2% most economists had predicted.

Looking ahead

Returns for share markets and other risk assets this year are expected to be more modest than in 2013, with continuing high volatility.

Encouragingly, economic growth among the US, Europe and Japan is likely to be synchronised for the first time since 2010.

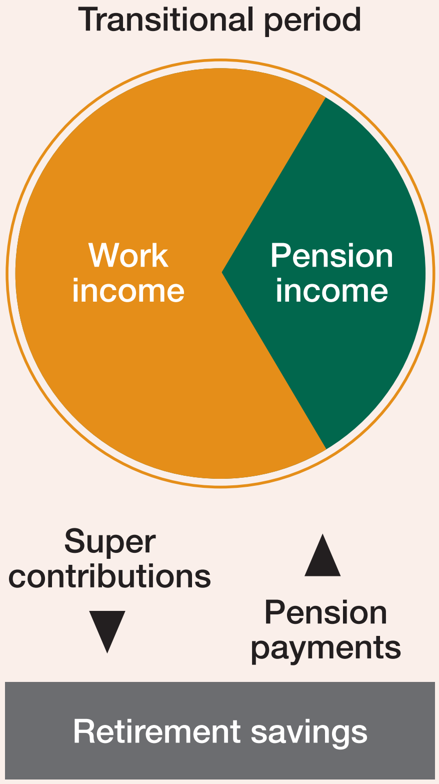
The Australian economy is relatively well placed compared to many of its global counterparts. However, domestic growth is expected to remain below trend this year, as mining investment continues to decline and non-mining sectors struggle to pick up the slack.

Flexible benefits for members 55+

If you're in your fifties, now's the time to explore the benefits of easing into retirement with a VISSF pension. Even if you're still working, transferring some of your accumulated super across to a pension account could provide several advantages.

Steve's story

Steve transferred some of his super into an account based pension and is receiving regular payments while he's still working. These pension payments boost his income, allowing him to salary sacrifice more into superannuation. The diagram shows his arrangement. Even though he's drawing on his pension account, because of the tax advantages of his salary sacrifice arrangement, Steve is accelerating his savings and is on track to end up with more in super as a result.



Source: Russell Investments

Sherry's story

Sherry is enjoying the best of both worlds, thanks to her VISSF pension account. She has cut back her work hours so she can have two days off each week to pursue her own interests. Although she has reduced her salary, Sherry hasn't had to compromise her income much, supplementing it with her super pension.

Pension benefits

- There is no tax paid on investment earnings in a pension account
- By salary sacrificing your income, you swap your marginal tax rate for a 15% contributions tax
- Favourable in respect of Centrelink benefits, given a portion is usually excluded for income test purposes
- Flexible income with members able to choose how much they draw down, within Government limits

> *"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."*
>
> **VISSF super pension & accumulation member**

Don't miss this opportunity. Find out more today by calling VISSF on 03 9258 6750.

For details and conditions please see the Account Based Pension Members PDS at vissf.com.au/forms-you-need and also see vissf.com.au/a/201408f

VISSF investment performance shines

There are hundreds of super funds in Australia, so it's reassuring to see VISSF continues to produce strong, long term investment returns relative to peers. The Selecting Super Performance Tables prepared by Rainmaker Information rank the top workplace super and retirement products for each investment category – take a look at how we compare:

VISSF Super to 30 June 2014 (Workplace super)

Balanced option – ranked **2nd** over 5 years in the Balanced & MySuper/ Default categories

All Growth option – ranked **3rd** over 5 years in the Growth category

Conservative option – ranked **4th** over 7 years in the Capital Stable category

VISSF Pension to 30 June 2014 (Retirement products)

Balanced option – ranked **1st** over 5 years and 10 years in the Default category and ranked **1st** over 5 years and **2nd** over 10 years in the Balanced category

All Growth option – ranked **4th** over 5 years in the Growth category

Conservative option – ranked **1st** over 7 years in the Capital Stable category

Remember that past earnings are no indication of future earnings. There is no guarantee of the performance of any of VISSF's investment options and your account balance may rise or fall with movements in investment markets.

Source: vissf.com.au/a/201408e

Who will receive your super?

Have you thought about what will happen to your super if it outlasts you?

Superannuation does not automatically form part of your estate and the trustees of some super funds can decide who receives your super money according to specific rules.

At VISSF, you can achieve certainty about what will happen to your super if you pass away, by having a binding death nomination. Not all super funds offer this facility. But if you have a valid binding death nomination when you pass away, the VISSF Trustee must follow it.

You can nominate the legal personal representative of your estate – or one or more of your dependants who must be your spouse, child, someone with whom you have an interdependent relationship, or any other person who is dependent on you for financial support.

Binding death nominations need to be updated or confirmed every three years to make sure the right people receive your benefit, so **please check that yours is up to date** by calling VISSF on **03 9258 6750**.

You asked…

Q. I made some after-tax contributions to my super account. Does this mean I'll get a government co-contribution?

A. It depends on your annual income. In 2014/15 the maximum government co-contribution value is $500 for a $1,000 personal contribution. This amount decreases on a sliding scale for those on incomes above $34,488 and ceases for incomes of $49,488 or more.

If you are entitled, you don't need to do anything. As long as we have your Tax File Number, the Australian Tax Office will pay it to your VISSF super account automatically.

Tim's story

If Tim sacrifices $5,000 to super from his $85,000 salary, he will pay $750 contributions tax instead of $1,925 income tax, **giving him $1,200 more to invest**.

	With salary sacrifice	Without salary sacrifice
Gross salary	$80,000	$85,000
Salary sacrifice	$5,000	$0
Income tax (including Medicare levy)	$19,147	$21,097
Contributions tax	$750	$0
Net benefit (take home pay plus salary sacrifice)	$65,103	$63,903

Weighing up salary sacrifice vs after-tax contributions

Few Australians will achieve a comfortable retirement relying solely on superannuation funded by compulsory employer contributions.

By making your own voluntary contributions, you can help build your retirement nest egg in a tax-advantaged environment. **Remember, super investment earnings are taxed at a maximum of 15%, a lot lower than most people's marginal tax rate.**

Knowing how to make your own contributions can be tricky – through salary sacrifice or via after-tax contributions? Here we explore the options.

Contribution type	Salary sacrifice	After tax
Description	• You arrange with your employer on an ongoing basis to take less pay home and have the difference put directly into your super	• You contribute from your own money either regularly or sporadically. It's easy using the BPAY® number you were given on joining VISSF – or ask for it by calling 03 9258 6750.
Potential benefits	• You get more super working for you, because it is taxed at just 15% contributions tax, not marginal tax rates (see Tim's story below) • Because it's a pre-set commitment, you don't get distracted by using the money for other things	• You can determine how regularly you contribute • You may be entitled to a government co-contribution of up to $500, depending on your income • No contributions tax is deducted (provided you do not exceed contribution limits)
Might suit who?	• Particularly those earning over $37,000	• Low income earners entitled to the government co-contribution • Those who want to contribute windfalls such as an inheritance or tax return for example

If you're not sure which approach suits your needs, try out the interactive super contributions optimiser tool at vissf.com.au/a/super-contrib – or ask a financial adviser.

Important note: The Government places limits on how much individuals can contribute to super each year, without tax penalties. You should make sure your super stays within the caps – see vissf.com.au/contributing-to-super

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