NEWEALTH

AUSTRALIAN FINANCIAL SERVICES LICENSEE

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Information Guide Booklet

Superannuation

This Information Guide booklet provides you with general information only.

It will also help you to better understand any recommendations we have made for you.

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Information Guide
Investing in Superannuation

January 2013

About Us

Newealth is an independently owned Australian private company. Not being owned by any banks, life insurance companies or fund managers has permitted Newealth to better service clients, identify strategies and recommend solutions that meet their needs.

This Information Guide provides you with general information only about contributing into superannuation. It will also help you to better understand any recommendations we have made for you in this regard.

What is superannuation?

Superannuation, or super as it is often known is a tax effective way of investing with the aim of making the years after you stop working comfortable and free from financial worry. Generally speaking, it is compulsory for many employers to contribute 9% of an employee's salary into super. However, compulsory super contributions may not be enough to fund a comfortable retirement. You could also grow your super by making your own contributions. Small amounts can make a big difference over time.

What are the benefits of super?

For most, the biggest benefit of investing in super is its tax effectiveness. The overall tax paid on your super investment is generally a lot less than other more traditional forms of investing, such as personally held assets.

Non-Super Investment	Super Investment
Initial contribution Paid from after-tax income. Tax is payable on income at marginal tax rates of up to 45% but for most people it will be around 30% plus a 1.5% Medicare levy.	***Initial contribution*** A 15% concessional tax applies on contributions to super including compulsory super and salary sacrifice contributions. No additional taxes are levied if you contribute non-concessional contributions. You may also be eligible for a tax deduction or Federal Government co-contribution.

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Non-Super Investment	Super Investment
During investment Generally, earnings are treated as income and taxed at your marginal tax rate each year when you lodge your tax return. ***On withdrawal*** Capital gains tax may be payable on any gain at the marginal tax rate (a 50% discount applies where a CGT asset has been held for a minimum of 12 months).	***During investment*** Earnings are taxed at 15%, with the tax deducted from your super account balance. ***On withdrawal*** For people over 60 years of age who receive super benefits from a taxed source, payment of a benefit as a lump sum will be tax free.

Are there any pitfalls when investing in super?

Super generally has more restrictions than non-super investments. The two main ones are:

- You can't borrow money using your super as collateral but your super can borrow to invest.
- Usually, you can't access your money until permanent retirement on or after you reach your preservation age which for people born after 1 July 1964 is age 60 but for those born before this date it can be earlier.

Your birthday	Your super preservation age
Earlier than 1 July 1960	55
1 July 1960 to 30 June 1961	56
1 July 1961 to 30 June 1962	57
1 July 1962 to 30 June 1963	58
1 July 1963 to 30 June 1964	59
After 30 June 1964	60

How does your super fund invest its assets?

Most super funds offer a range of investment options but you can generally divide them into three basic categories or asset classes:

- Cash & Fixed Interest (also called Bonds)
- Property
- Shares

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When offered as an investment choice in a super fund these are sometimes referred to as 'specialist' or single sector options. Super funds also offer 'diversified' investment options that contain a mix of the different asset classes. The names given to these options can differ from fund to fund but the name usually reflects the level of risk exposure (volatility) in the option.

For example, a conservative option will generally contain mostly cash and fixed interest while at the other end of the scale a higher risk option will generally contain mostly shares, usually from Australia and or overseas.

What types of super funds are there?

There are several different kinds of super funds, but the main ones are:

- **Employer/Corporate Funds** – Established by an employer for the benefit of its employees. Many employer super plans are outsourced to larger super providers (called corporate master trusts) which offer a limited range of investment choices and features.
- **Industry Funds** – Originally set up for people working in a particular industry, e.g. builders or health care. Mostly low cost with very few investment choices.
- **Retail Funds** – As the name implies, you join as an individual through a super provider. There are many available and most will offer a extremely wide range of investment choices and other features.
- **Self-Managed Super Funds (SMSFs)** – Also called 'Do It Yourself' funds. These can have up to four members and are generally used by people with larger amounts in super or by family groups. You will need to have an interest in running a super fund as all members are also trustees of the fund and control the investments. You can also pay a professional, such as an Accountant, to help with the fund's administration.

Switching funds

If you are thinking about moving your super to another fund, it is important to fully understand the features of your existing fund, as well as the fund you are switching to. You should also check what you may be giving up if you switch funds. For instance, some people have given up generous insurance benefits upon leaving their employer fund as a result of not taking the continuation option and fund that they cannot get an equivalent level of cover in their new fund. There may also be fees to consider when switching funds.

Review

Your superannuation should be reviewed at a minimum of once per annum.

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Information Guide
Accessing Your Super

January 2013

About Us

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Accessing Your Super

Australians can usually only access their superannuation savings when they retire on or after reaching their preservation age or at age 65.

For people born after 1 July 1964, the magic number is 60 but for those born before this date it can be earlier.

Your birthday	Your super preservation age
Earlier than 1 July 1960	55
1 July 1960 to 30 June 1961	56
1 July 1961 to 30 June 1962	57
1 July 1962 to 30 June 1963	58
1 July 1963 to 30 June 1964	59
After 30 June 1964	60

There are other circumstances such as financial hardship or the Federal Government's 'Transition to Retirement' rules (available to everyone over preservation age) which may mean you can access your super before you retire.

Transition to Retirement

Transition to Retirement may be a tax effective strategy that could benefit you if you are of preservation age or higher (see above table) and still working. The strategy is a Federal Government initiative which may give workers 55 years of age or over access to their preserved super money as an income stream.

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A Transition to Retirement strategy could help you with one of the following:

- Ease into retirement by reducing your working hours but still maintain your take-home income
- Boost your savings and maintain your income
- Boost your take-home income.

How does it work?

Combing a Transition to Retirement with an effective salary sacrifice strategy may help you maintain your income but in so doing reduce your total retirement capital.

A maximum $25,000 per financial year can be contributed into super as a concessional contribution per person before contributions are taxed at a total rate of 46.5%.

Provided your super fund has your Tax File Number (TFN), you will generally only pay 15% tax on the contributions you make with pre-tax income and up to 15% tax on investment earnings. Failure to provide your TFN will result in your concessional contributions being subject to an additional tax of 31.5%.

Tax benefits

By structuring your income differently, for example, putting more of your pre-tax salary into super, and supplementing your income with a Transition to Retirement pension, it may result in you paying less tax.

There are even more benefits. When your super money is being paid to you as a pension, investment earnings are generally exempt from tax meaning your investment earnings won't attract 15% tax applicable to a super fund.

Helping your super last the distance

You've worked hard to accumulate it, now what do you do with it?

Basically, you have three options for your super when you retire:

1. Withdraw your super as a lump sum or
2. Take it in the form of a retirement income stream or
3. A combination of both.

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Retirement income stream

To help make money last longer in retirement, the Federal Government encourages people to take their super as a retirement income stream. This is achieved through the significant tax benefits that may be available through retirement income stream products.

The two very important tax benefits that you receive when you use your super to begin a retirement income stream are that your investment earnings inside the pension attract no income tax or capital gains tax at all and withdrawals made by people 60 years of age and over are tax free.

Once retired, the need for an income does not suddenly stop. A retirement income stream is an investment that allows you to receive regular income payments when you retire, enabling you to manage your ongoing income and spending patterns.

Account based pensions

A flexible retirement income stream option may be an account based pension. An account based pension can be a tax effective way for you to continue to get a return on your investment while drawing a regular income or pension at the same time. The pension is paid until the investment and earnings are exhausted and every year you must withdraw the minimum pension payment as indicated in the table below.

Minimum yearly pension payments

Your age	Minimum yearly pension payments
Under 65	4%
65–74	5%
75–79	6%
80–84	7%
85–89	9%
90–94	11%
95+	14%

You can generally withdraw all or part of your balance in an account based pension at any time. However, you should be aware of possible social security and tax implications which are dependant on your age along with other product requirements or limitations.

An account based pension doesn't guarantee you will have an income for your lifetime or for any fixed period. How long it lasts depends on how much you draw down each year and the investment earnings you receive.

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Want to take your super as a lump sum? Consider this:

- If you use the proceeds of your super to invest in a non-super investment, your investment earnings will usually be subject to your normal marginal tax rates.
- Investment earnings for money invested in a retirement income stream are completely tax free. Once you take your money out, you may not be able to put it back into super again (for people between 65 and 75, you need to be working at least 40 hours within 30 day period to contribute into a super fund on a after tax basis).
- If you're over your preservation age and under 60 you will be able to withdraw up to $175,000 of the taxed component of your super tax free. However, any taxable amounts over this will be subject to 16.5% tax.
- Withdrawals and income payments from retirement income streams are tax free for everyone 60 years of age and over.

Review

Your retirement income stream should be reviewed at a minimum of once per annum.