Axis Superannuation

MAGAZINE July 2011 | Financial food for thought

Your super is your future

Tips to help you take control of your super

Also inside:

How much super do you need to be comfortable when you stop working?

Salary sacrificing can be good news all round

Asgard

Axis

Financial food for thought

Issue 22 | July 2011

What's inside

As another financial year draws to a close we look forward and start planning for the year ahead.

The new financial year prompts many of us to review our finances when we submit tax returns. It also presents the opportunity to think about strategies for the year ahead, whether you're thinking about superannuation, tax, investment or wealth protection.

It's a good time of year to talk to your adviser about any changes to your situation over the last year or for advice about new opportunities in the market.

In this issue we look at some examples of how others have maximised their super. And, to help you set some long-term super and investing goals, there is an article on how much money you'll need to be comfortable in retirement.

We also consider one particular super strategy, known as salary sacrificing. You should speak to a financial adviser to find out if this strategy works for your situation.

I trust these articles will get you thinking about your super and give you some ideas to boost your retirement nest egg.

Finally in this issue of Axis, Felix Stephen gives his view on the months ahead and the anticipated financial market performance.

Felix points out that investor confidence in global markets is still being rebuilt in the wake of the global financial crisis. Recent natural disasters and political unrest in a number of countries seem to be slowing the process of building confidence and promoting economic recovery.

However, Felix's outlook for the remainder of 2011 and into 2012 is positive, with many investment classes expected to perform well.

All the best for the new financial year.

Best regards,

Craig Lawrenson
Head of Asgard

Market review and outlook

Felix Stephen
Manager Strategy and Research
Advance Investment Solutions

Global investment themes

The fallout from the global financial crisis from late 2007 through to early 2009 continues to plague the global economy and financial asset markets due to investors avoiding risk. The extremely slow pace of the global economic recovery and strong investor reluctance to incur capital losses on investments are partly to blame.

There has been a modest decline in economic activity which has been significantly exaggerated by a series of misfortunes, both natural and man-made, that destabilised the world.

Global geopolitical turmoil and social unrest have unsettled certain countries and destabilised the delicate global geopolitical balance.

Government debt default risks have increased in some European countries due to poor macroeconomic management, while inflation risks have risen in some of the emerging economies.

However, the new breed of gutsy and pragmatic policymakers in key economies around the world are likely to do whatever it takes to nurture their respective economies back to levels of sustainable growth and prosperity, through the implementation of prudent and proactive monetary and fiscal policies.

We're positive about global growth during the second half of 2011 and into early 2012 as a stronger industrial production and inventory re-building cycle emerges, supported by favourable global financial conditions.

Financial asset market outlook

Equities

The outlook for both domestic and global equity markets is positive, with US and Japanese equities looking very attractive. As a result of their increased avoidance of risk, global investors have forced equities to be a relatively attractive asset class to own. We estimate total returns to be around 20% for domestic equities and around 25% for global equities over the next 12 months.

Fixed interest

The outlook for domestic and global fixed interest isn't positive for the second half of 2011 as risk-averse investors have forced bond yields to become expensive. We anticipate bonds to offer better value around mid to late 2012, and for global and domestic bonds to return 3.5%.

The views expressed in this article are the author's alone. They should not be otherwise attributed. Current as at 1 July 2011.

Commodities

We expect commodity markets to remain extremely volatile in the short to medium term, with oil and copper prices remaining elevated due to supply shortages. We expect commodities to return around 18% over the next 12 months.

Listed property

We expect domestic and global listed property markets to return around 13% over the next 12 months as investors seek assets that provide them with a hedge against rising inflation.

Currencies

We expect the Australian dollar to weaken during the second half of this year, in particular against the US dollar, euro and the British pound. ■

Market commentary

Financial asset market outlook (total returns)

Asset class	Ultra short–term (1–6mths)	Short–term (12mths)	Medium–term (1yr–2yrs)
Global equities	↗	↗	↗
Australian equities	↗	↗	↗
Developed govt. sovereign bonds	↗	↗	↗
Corp credit and emerging govt. bonds	↗	↗	↗
Australian dollar	↘	↘	↗
Commodities	↗	↗	↗
Listed property	↗	↗	↗

-1 to -5%
-6 to -15%
-16 to -25%
+1 to +5%
+6 to +15%
+16 to +25%

How much super do you need to be comfortable when you stop working?

Did you know, the average woman needs a super balance of around $781,920 to achieve a comfortable life in retirement and the average man needs a balance of $655,110?[1]

Obviously different people have different views of what 'comfortable' is, but the fact is you'll need a sizeable sum to generate a good long-term retirement income. How much you need to be contributing to achieve a figure you feel comfortable with depends on your age and when you plan to retire. Speak to your financial adviser today to find out what you can do to make sure you have enough money for the lifestyle you want when you stop working.

$655,110

Super balance the average man needs to be comfortable in retirement.

$781,920

Super balance the average woman needs to be comfortable in retirement.

[1] These figures assume a retirement age of 65 years and that the retiree owns their own home. The figures relate to expenditure by household. These figures allow annual spending of $45,000 pa. The gross rate of investment return is 6.0% pa. Assumed management fee is 1.5%, giving an after-tax return of 4.5%. Inflation is 3.0% pa and all pension payments are indexed accordingly. There is no investment tax on the assets used to support the retirement income stream. Amounts are in today's dollars, ie have been adjusted for inflation. Based on life expectancies using Australian Life Tables 1995/97. The returns are illustrative only and are not indicative of any fund. A small change in any one of the assumptions can lead to a large change in the results. As you withdraw your capital over time, the dollar value of your income will reduce. Future performance of any investment is not guaranteed.

Salary sacrificing can be good news all round

It's called salary sacrificing, but when you look at it closely, it doesn't really have to be much of a sacrifice at all.

Your super is your money after all. Redirecting some of your before-tax salary into your super can make a big difference to your overall super balance and help you achieve your goal of leading a more comfortable lifestyle in retirement.

Salary sacrifice is when you ask your employer to contribute some of your before-tax salary into your super fund each time you get paid.

Depending on what your current marginal tax rate is, salary sacrificing may also help you reduce your income tax. The money you put into your super will be 'concessionally' taxed at 15%, subject to limits.

The amounts you salary sacrifice to super, and the amounts your employer contributes to super for you, are treated as concessional contributions. Your total concessional contributions made to superannuation for the financial year will be taxed concessionally at 15% up to your concessional contributions cap (for 2011–12, this is $25,000, or $50,000 if you are aged 50 or over). And if you're over 65, you must be working to contribute to super.

Talk to your financial adviser about how you may be able to use salary sacrifice strategies to maximise your super savings. ■

What is your super invested in?

Your super is your money so it pays to spend a little time looking at how and where it's invested.

You may want to consider adjusting your investment mix to better fit in with the ambitions you have for your super. In many super funds, you can choose from a wide range of investment options. These are broadly grouped into the following investment styles based on the level of risk – stable, conservative, moderate, dynamic or aggressive.

Take some time to check the investment style of your fund, then consider what might be a suitable style for you. For example, you may think more exposure to shares is a good move as markets continue their gradual recovery from the global financial crisis.

When you select moderate or dynamic investment styles, generally more than half of your super will be invested in growth assets such as Australian shares, property or international shares. These types of assets often deliver higher returns over the long term compared to a stable investment in cash or a term deposit.

If you decide on an aggressive investment style, approximately three-quarters of your super will be invested in growth assets, which may include a larger portion of international shares. These have the potential to deliver high returns, but naturally this comes at a higher risk. For instance, your super may then be exposed to fluctuations in the value of the Australian dollar.[2]

Some people are more comfortable with a higher level of risk while others are more cautious. If you're unsure, your financial adviser can help. ■

[2] Fund managers generally adopt currency hedging strategies to reduce the risk of significant currency fluctuations.

Understanding your investor report

Your investor report provides lots of information – so here are some tips on what to look out for, and an explanation of key terms.

Investor report

- This is a summary of your super or pension account, including performance of investments, contributions, transaction history, insurance and a record of all fees and taxes paid.

Total at 30 June 2011

- The value of all investments in your super or pension account at the end of the 2011 financial year.

Your insurance[3]

- Cover for death or disability. In the event of your death, your beneficiaries or estate will receive your life insurance amount plus your account balance amount.
- In the event of disability, you may receive an insurance payout and can apply to access your superannuation balance before retirement, in special circumstances.
- Salary Continuance Insurance (SCI) provides cover if you have an injury that prevents you from working for a period of time, by providing a regular payment in place of salary. SCI is not available in all products – please check with your financial adviser.

[3] Insurance is only applicable to superannuation accounts.

Having insurance with your super fund can be a convenient and tax-effective way of arranging financial protection in case of death or permanent or temporary disablement. Talk to your financial adviser about the best insurance options for you.

Performance of your investment (rate of return)

- Your rate of return shows any changes in your investment based on the timing and amount of all transactions.
- The rate of return is always reflected as a percentage.

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Superannuation/Pension Report
Report date

Your superannuation/pension total
$324,006.27

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CLIENT NAME
CLIENT ADDRESS
CLIENT ADDRESS

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EMAIL asgard.investor.services@asgard.com.au
WEB www.asgard.com.au
WRITTEN CORRESPONDENCE
PO Box 7241, Perth WA 6839

SAMPLE FINANCIAL PLANNING 03 4365 6000
ADVISER Sample Adviser
ADVISER EMAIL sample@adviser.com.au

Your Superannuation/Pension

Asgard Super/Pension Account
Account No. XXXXXXX-XX-XX

Previous total		$302,607.43
$ Increases in Account Value		+$43,500.00
Contributions/Pension	$43,500.00	
$ Decreases in Account Value		-$42,601.16
Withdrawals (before PAYG tax)	$39,047.59	
Ongoing Fees and Expenses (incl. GST)	$2,176.33	
Insurance Premiums (incl. GST)	$552.48	
Tax	$824.76	
Earnings on Investments		+$20,500.00
Total		$324,006.27*

Your Insurance

Asgard Personal Protection Package

Name of Insured	XX*
Type of Insurance	
Life Protection	$138,657.00

* You should review your insurance cover on a regular basis.

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For more details see over

Sample of the first page of your superannuation or pension report.

Statement of Long-Term Returns

- The performance of the investment options in your super or pension account.

Beneficiary

- A beneficiary is someone you have nominated to receive your super and insurance (if applicable) in the event of your death. You must nominate a dependant or legal personal representative (the executor of your estate) and it is important you let your financial adviser know, so that you can make sure your death benefit goes to the right people.

  You can nominate your beneficiary by using a Binding Death Benefit Nomination form, available from your financial adviser or by calling us on 1800 998 185.

Fees

- Total fees you paid at the end of the financial year. ■

For more information about your investor report please contact your financial adviser, or call Asgard on 1800 998 185.

Super stories

There are plenty of really easy ways to increase the value of your super fund. Here are some great tips other investors have shared with us on how they are increasing their super savings...

Angelo, NSW

I've salary sacrificed up to my age based limit[4] in the years I haven't needed my full salary. It has made a huge difference to the size of my superannuation nest egg.

John, NSW

Being self employed, my tip is 'pay yourself first'. Always put your super savings away before you pay everything else. Otherwise you never have enough left for super.

Natasha, SA

I've consolidated my entire super into one super fund to keep my fees to a minimum.

Emma, QLD

Don't just 'set and forget' your super arrangements. Whenever my financial situation changes I see my financial adviser to review my investment and insurance strategy.

Your situation and long term goals may be different to those of the people mentioned in these stories, so we recommend that you seek professional advice before making any significant changes to your super. ■

[4] Age based limits have been replaced by the concessional contributions cap. To learn more visit www.ato.gov.au

Common super Q&As

We answer some of the most common questions people have about their super savings.

Q1: I know people working part-time who've had trouble getting their employer to make super contributions. Isn't it compulsory for employers to pay a minimum amount?

Yes. Employers must make superannuation guarantee (SG) contributions on behalf of employees, whether part-time or full-time. If you're over 18[5], work part-time and earn more than $450 a month, your employer must make an SG contribution of at least 9% of your salary before tax. This is in addition to your salary.

For example, if you worked part-time and were paid a gross salary of $20,000 per year, your employer would have to put $1,800 into your super fund. There are strict rules about when payments must be made and you should always receive a super fund statement outlining the payments made on your behalf.

Q2: We hear so much about self-managed super funds these days, what does it mean?

A self-managed super fund (SMSF) is pretty much as it says – a super fund managed by you. It's quite different to having an everyday super fund where you make contributions and let a trustee take care of managing all the complex paperwork, tax payments and legal reporting obligations of the fund.

In an SMSF, in addition to making investment decisions, you also have to organise all the other regulatory requirements. You will most likely need to pay an accountant and a lawyer to help you. To find out more, call your financial adviser.

[5] If you're under 18, you must be working at least 30 hours a week to quality for SG. An employer does not have to pay SG if you're over 70. Maximum salary limits apply for all ages and other eligibility criteria may apply in some cases.

Number crunch

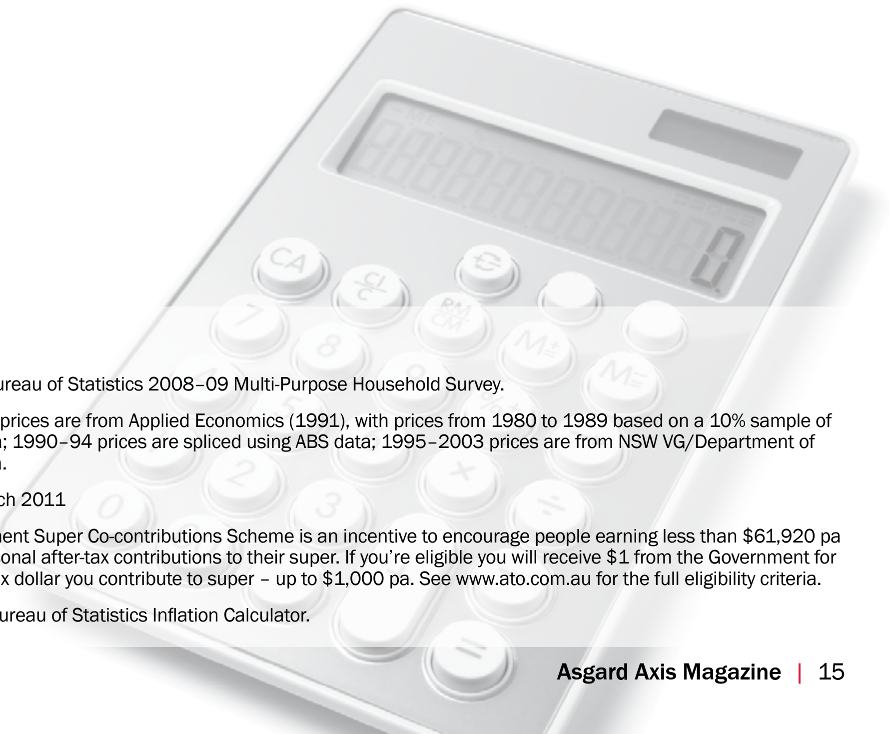
A quick glance at some interesting statistics.

72% The percentage of Australian households with home internet access.[6]

$18,700[7] The annual median house price for Sydney in 1970. For Melbourne it was just $12,800! Today the median Sydney house price is $671,000.[8]

$1,000 The amount the government could contribute to your super fund if you qualify for the co-contribution benefit.[9]

145% The overall inflation increase from 1985 to 2010. So a basket of groceries costing $100 in 1985 would cost $245 now.[10]



6 Australian Bureau of Statistics 2008–09 Multi-Purpose Household Survey.

7 1970–1989 prices are from Applied Economics (1991), with prices from 1980 to 1989 based on a 10% sample of NSW VG data; 1990–94 prices are spliced using ABS data; 1995–2003 prices are from NSW VG/Department of Housing data.

8 Residex March 2011

9 The Government Super Co-contributions Scheme is an incentive to encourage people earning less than $61,920 pa to make personal after-tax contributions to their super. If you're eligible you will receive $1 from the Government for every after-tax dollar you contribute to super – up to $1,000 pa. See www.ato.com.au for the full eligibility criteria.

10 Australian Bureau of Statistics Inflation Calculator.

IMPORTANT INFORMATION

Information current as at 1 July 2011. The information in this magazine is factual only. It does not constitute financial product advice. Before acting on this information you should seek independent financial and taxation advice to determine its appropriateness to your objectives, financial situation and needs. Asgard's Financial Services Guide can be obtained by calling 1800 998 185, or visiting www.asgard.com.au. Information in this magazine that has been provided by third parties has not been independently verified and Asgard Capital Management Ltd ABN 92 009 279 592 AFSL 240695 is not in any way responsible for such information. The taxation position described is a general statement and should only be used as a guide. It does not constitute tax advice and is based on current tax laws and our interpretation. Your individual situation may differ and you should seek independent professional tax advice. These projections are predictive in character. Whilst every effort has been taken to ensure that the assumptions on which the projections are based are reasonable, the projections may be based on incorrect assumptions or may not take into account known or unknown risks and uncertainties. The results ultimately achieved may differ materially from these projections. Superannuation is a long-term investment. Generally, contributions to a superannuation fund are preserved. The government has placed restrictions on when you can access your preserved benefits. In general, benefits will not be able to be paid until a member is age 65, or has permanently retired and is above his/her preservation age (ie 55 years up to 60 years depending on when the member was born). The Government has set caps on the amount of money you can add to superannuation each year on a concessionally taxed basis. Currently the cap is $25,000 per person pa for the 2009/10 financial year. If you are aged 50 or over, the annual cap is $50,000 until 30 June 2012. In addition, the government has set a cap on the amount of money that you can add to superannuation each year on a non-concessionally taxed basis. The cap is $150,000 per person pa. Those under age 65 can 'bring forward' two years' worth of personal contributions, allowing them to contribute up to $450,000 per person over a three year period. For more detail, you should speak with a financial adviser or visit the ATO website. For illustrative purposes only. Based on a real life example (names and some details have been altered).

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