

Super & You

Issue 1, 2017

How is super
changing?

Investment
update



meet
CareSuper
member, Jane



welcome to Super & You

Super is changing – will it change for you?

On 1 July, Government changes to super will come into effect.

Many of these changes are positive and give you more flexibility around how you contribute to super. Not only that, but tax offsets for some contributions will be more readily available.

For example, more Australians will be able to claim a tax deduction for making personal contributions to super. It's a bit of a win-win. You're putting money towards your future – and you're getting some back now.

Find out more about the changes on pages 6 to 9.

Get in quick before 1 July

As part of the super changes, contribution caps on how much you can add to your super will be lowered. This change is an important one for your long-term super management, because it will make it harder to 'catch up' on your super right before retirement.

The existing rules apply until 30 June, so if you can, make the most of the next few months and consider contributing now.

If you're not in a position to take advantage of the existing caps, what could you do instead?

We'd encourage you to consider making small, regular contributions over your working life –

starting now. That way, the lower caps won't be a barrier later on, and you're giving your money much longer to benefit from any positive growth.

We explore a few manageable contribution options in this magazine.

How did your investments perform in 2016?

In a year filled with challenges for investors, it's pleasing to report that all of CareSuper's investment options performed strongly.

In fact, the Balanced option, where most members are at least partly invested, returned 9.39% over one year to 31 December 2016, outperforming the median balanced fund by more than 2% (according to SuperRatings).*

More importantly, the Balanced option is the second highest returning fund over 7- and 10-year periods (compared to peers),* continuing its track record of strong long-term performance for CareSuper members.

Learn more about CareSuper's investment performance on pages 4 and 5.

If you have any questions or feedback, get in touch by calling **1300 360 149**.

Julie Lander

Julie Lander | CareSuper CEO

* Source: SuperRatings Fund Crediting Rate Survey – SR50 Balanced (60-76) Index, December 2016.



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TOGETHER WE CAN

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SUNDAY 14 MAY 2017

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Classic since 2008.

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Suzanne Branton
General Manager
– Investments

CareSuper's
commitment to active
investment, and our
philosophy of protecting
members' capital,
will remain key.

Investment update

How did your super perform?

CareSuper closed out the December quarter with strong returns for all investment options.

The Balanced option (CareSuper's default option) returned 9.39% over one year to 31 December 2016, outperforming the median balanced fund, which returned 7.27% over the same period (as measured by SuperRatings).*

Importantly for members, the option continued to perform strongly over the long term as well. In fact, the Balanced option was the second highest returning fund over 7- and 10-years (compared to surveyed peers),* demonstrating the consistency of CareSuper's performance and approach to investing.

* Source: SuperRatings Fund Crediting Rate Survey – SR50 Balanced (60-76) Index, December 2016.

What were the drivers of growth?

The impressive return of the Balanced option was driven by strong returns from a number of asset classes, including Australian and overseas shares,

Investment returns to 31 December 2016

| Investment options | 1-year (%) | Long-term annual returns ^ | | | |
|-----------------------|---------------|----------------------------|--------------------|--------------------|---------------------|
| | | 3-year (% p.a.) | 5-year (% p.a.) | 7-year (% p.a.) | 10-year (% p.a.) |
| Managed options | | | | | |
| Capital Guaranteed | 1.89 | 2.37 | 1.88 | 2.25 | 3.09 |
| Capital Stable | 6.21 | 5.51 | 7.31 | 6.65 | 5.50 |
| Conservative Balanced | 7.20 | 6.32 | 8.70 | 7.36 | 5.75 |
| Balanced | 9.39 | 8.26 | 11.02 | 8.69 | 6.28 |
| Sustainable Balanced | 8.26 | 7.78 | 10.50 | 8.13 | 5.51 |
| Alternative Growth | 10.45 | 8.24 | 11.20 | 8.86 | 6.53 |
| Growth | 9.74 | 8.47 | 12.36 | 9.06 | 6.21 |
| Asset Class options | | | | | |
| Capital Secure | 2.43 | 2.55 | 2.94 | 3.34 | 3.59 |
| Fixed Interest | 3.16 | 4.16 | 5.06 | 6.31 | 5.95 |
| Direct Property | 11.86 | 11.15 | 9.39 | 8.97 | 6.68 |
| Australian Shares | 11.91 | 7.20 | 11.60 | 7.39 | 5.29 |
| Overseas Shares | 8.70 | 9.50 | 16.20 | 10.98 | 6.17 |

^ These returns are compound average annual returns.

The long-term returns shown in this table may differ from your actual returns. The returns shown are after fees and tax and have been rounded to two decimal places. All net investment returns are reflected in the sell price of each investment option. Past performance is not a reliable indicator of future performance and you should consider other factors before choosing a fund or changing your investments.

unlisted investments (notably property), and the Fund's alternative asset classes – in particular, infrastructure and private equity. (The fact that return drivers came from a mix of asset classes highlights the importance of diversifying members' super across a broad portfolio of high-quality assets.)

Australian shares benefitted from a rebound in commodity prices. Much of this was driven by improved expectations of growth and inflation globally. Meanwhile, overseas shares were supported by the strengthening US economy.

However, this was also the catalyst for a rise in long-term interest rates, which has seen muted returns from bond markets. (As interest rates rise, the value of bonds falls.) The Balanced option has been positioned for a rise in interest rates, which has contributed to the Fund's relative outperformance of peers.

The importance of active management

At CareSuper we select managers who make active decisions about investments and also take an active approach to structuring our options and investment strategy with the aim of increasing returns for members, while reducing risk.

This active management approach means we can position ourselves defensively to protect members' money during periods of volatility and capture the upside when markets are rising.

This approach to investing has been central to delivering consistent results and is in contrast to passive investing, which aims to only achieve returns in line with market performance.

CareSuper's size is also an important factor in the way we invest. At \$12 billion in funds under management (as at 31 December 2016), we're sizeable enough to invest with scale, but nimble enough to move quickly and take advantage of investment opportunities as they arise.

Market insight

While elections and political change dominated the news in 2016, financial markets were also influenced by evolving global economic conditions. Evidence of a strengthening global economy was accompanied by improved company earnings and a rise in global interest rates. Share markets were also influenced by the pro-growth stance of the Trump administration in the United States.

Investors have entered 2017 with a sense of cautious optimism as share markets have risen around the world. At the same time, it is not yet clear how changing US policy will affect the global economy and whether interest rates will continue to rise. It is interesting to observe that markets are rising at a time when uncertainty is generally thought to be quite high.

Time will tell whether this initial optimism will be sustained. Either way, CareSuper's commitment to active investment, and our philosophy of protecting members' capital, will remain key.



How is **super**
changing on
1 JULY?

How do you picture your lifestyle after you stop working?

Lower caps on contributions to super

| CONTRIBUTION CAPS* | 1 JULY 2017 | NOW |
|--|---|---|
| Concessional (before-tax) contributions Each financial year | \$25,000 | \$30,000 for under-50s \$35,000 for ages 50+ |
| Non-concessional (after-tax) contributions Each financial year | \$100,000 (You can bring forward 3 years of contributions, up to \$300,000) | \$180,000 (You can bring forward 3 years of contributions, up to \$540,000) |

* If you go over the caps, you have to pay extra tax. Additional restrictions may apply depending on your age and/or total balances in super and pension accounts.

At a glance

Lower contribution caps reduce your ability to leave super to the last minute, as you won't be able to add large amounts right before retirement (at least not tax-effectively).

This change really highlights the importance of a long-term super strategy – which can have benefits.

For example, contributing regular amounts over your working life gives your money more time to grow, and it can be easier to budget for small, ongoing contributions, rather than big amounts.

What can you do?

It can be hard to prioritise super when you're juggling other costs, like rent or a mortgage, but the things you do now could turn a 'good' post-work lifestyle into a 'great' one.

Not convinced? See the big impact small changes could have on your super at caresuper.com.au/sparechange.



act quickly before 1 July

If you want to take advantage of the existing contribution caps, you'll need to act quickly.

Go to caresuper.com.au/maximisesuper to find out how to contribute.

Whatever you're dreaming of, learning how the super changes could affect you might just help make that picture a reality.



A tax rebate for spouse contributions

**1 JULY
2017**

You make contributions to your spouse's super account. They earn less than

\$40,000

up to \$540 tax back

NOW

You make contributions to your spouse's super account. They earn less than

\$13,800

up to \$540 tax back

At a glance

There may be times in your life when you're receiving very little super – or none at all. Perhaps you're raising a child, working part-time or looking for a job. Or maybe it's your partner whose balance is low or lagging.

To keep building your super together, you or your spouse (married or de facto) can contribute some of your own money to the other's account.

And from 1 July, the income threshold to qualify for a tax incentive is becoming more generous.

What can you do?

This change could be particularly beneficial for couples with irregular working patterns. It offers a way to keep both your super accounts ticking over for the future, and at tax time you could claim some money back for now.

- Learn more at caresuper.com.au/FAQs
- Get the **Spouse contribution** form at caresuper.com.au/forms



growing your super together?

There are more ways to save for the future as a couple, such as contribution splitting. Find out more at caresuper.com.au/maximisesuper.

How is **super** changing on **1 JULY?**



Greater deductibility for personal contributions to super

At a glance

From 1 July, more Australians will be able to make personal contributions to super and claim back on tax.

These contributions will be taxable at up to 15% (like super guarantee contributions paid by your employer) and will be subject to the concessional contribution cap (\$25,000 from 1 July).

As long as your marginal tax rate is higher than the tax on super contributions this can

be a tax-effective and flexible contribution method.

It's also an alternative to salary sacrifice (where you ask your employer to direct more of your salary straight into super), which some people can't access.

CASE STUDY

Meet Josephine

Josephine earns \$50,000 in 2017/18 as an administration assistant. Her employer doesn't allow salary sacrifice.

Josephine pays \$2000 towards her super out of her take-home pay and claims a deduction.

Her taxable income is now \$48,000 – so she has to pay less tax and she's lending a hand to her future self.

What can you do?

- To claim, you'll need to lodge a **Notice of intent to claim form** from the ATO or CareSuper for the 2017/18 income year.
- Learn more about how salary sacrifice works on page 10.

➔ [Want to learn more about the super changes?](#)

There are more changes to super than the ones we covered here. To explore them all go to caresuper.com.au/superchanges.



can you close the gap?

This change gives you the flexibility to 'close the gap' if your concessional contributions are below the cap near the end of the financial year.



Making the most of your super before 1 July and after

Just like the rest of your finances, super needs some ongoing management.

It doesn't have to be complicated. Even small changes can make a big difference.

With the rules changing on 1 July, it's a perfect time to review or create your contribution strategy. It can be as easy as setting up a direct debit. (More below.)

But if you're not sure exactly how a contribution strategy works, and you'd like someone to talk you through the detail before you commit, why not seek financial advice through CareSuper?

How it works

For advice on contribution strategies, you can speak to an IFS financial planner* over the phone, then receive that advice in writing.

The best bit? Limited advice is a benefit of membership, so there's no extra cost.

Want more tailored advice?

This means a little bit of homework by you, such as gathering information about your life and finances.

If it seems a little overwhelming, think of it this way: the better your planner knows you, the better they'll be able to tailor their advice.

Complex advice requires a one-on-one consultation, which is at no extra cost. If you move forward with the advice, fees-for-services will apply. How far you go is entirely up to you – there's no pressure from us.

Get in touch

-  Book a call back at caresuper.com.au/advice, or
-  Call 1300 360 149.



making contributions is easy

Grab your customer reference number from MemberOnline at caresuper.com.au/login or by calling 1300 360 149.

For other ways to pay go to caresuper.com.au/maximisesuper.

*Financial advice is offered through CareSuper's relationship with Industry Fund Services Limited (IFS), and is provided by an authorisation under the Australian financial services licence of IFS, ABN 54 007 016 195, AFSL 232514.



How does 'salary sacrifice' actually work?

You've probably heard it mentioned by a colleague or a family member – but have you ever considered whether 'salary sacrifice' could benefit you?

How it works

Salary sacrifice is an arrangement with your employer, where they agree to pay more of your salary straight into super, rather than your bank account. This is on top of compulsory super guarantee (SG) contributions of 9.5%.

Salary sacrifice contributions are treated as before-tax (concessional) contributions, like SG payments, and are taxed at up to 15% going into super. This is less than many people's marginal tax rate, which could make salary sacrifice a tax-effective way of investing for retirement.

Are there other benefits?

- It's a convenient, automatic deduction from your salary. And if you salary sacrifice a pay rise, you won't notice a difference in your day-to-day cash flow.
- It can reduce your overall assessable income. For example, if Adam earns \$70,000 (before tax) and decides to salary sacrifice 10% of that amount, his taxable salary reduces to \$63,000.

What else should you consider?

- Some employers don't offer salary sacrifice or may recalculate your SG entitlements based on your reduced salary. Using the previous example, Adam's employer might recalculate his SG based on his reduced salary of \$63,000.

If salary sacrifice isn't an option for you, there's an alternative from 1 July. See page 8 for more information.

getting set up

Speak to your employer about how to set up salary sacrifice.

You can generally stop a salary sacrifice arrangement at any time.



need help exploring your contribution options?

You can speak to an IFS financial planner* through CareSuper at caresuper.com.au/advice.

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We meet Jane for coffee in a café in Moonee Ponds.

It's a 5-minute drive from her workplace (the marketing department at Kangan Institute) and in Jane's words it's 'a bit of a luxury'.

'I have an extended blended family,' she says, 'so while I enjoy going out for breakfast, lunch and dinner, I hardly get the option to go without children!'

Jane says that while she 'loves a good splurge on shoes and clothes' her family is naturally the 'first priority for my spend'.

With finances top of mind, it seemed serendipitous when she met a CareSuper Client Partnership Manager at an event two years ago.

'I knew I needed to start thinking about my super and the best ways to manage it, and CareSuper was fantastic. The Client Partnership Manager explained the benefits of CareSuper, and when I decided to join she was amazing at assisting me to set things up correctly and move over my other super.'

'Actually, now that I'm with CareSuper, I've been encouraging my partner to change funds too!'

For Jane, who began her working life as a personal assistant to a sales and marketing director, and then developed her career as a Marketing Manager in the IT and education sectors, the personal touch is important.

'I've attended many CareSuper events in the last two years and they've always been insightful and informative. So far I feel like they've offered me solutions, not just for making my super work better, but for making it work better for me.'

Now that Jane is more confident about her super, and in particular her choice of CareSuper, she says she plans to 'investigate further'. Items on the to-do list including downloading the CareSuper mobile app and taking a look at the range of investment options available to members.

When we ask what she expects from CareSuper going forward, Jane says, 'I want to be in a comfortable position when I retire, and I think that with what CareSuper can offer, I can get there.'

what's your story?

If you'd like to share your story with us, please email us at social@caresuper.com.au.

Start your super search today

We can search the Australian Taxation Office's database for your other super accounts and get the results within seconds.

Visit **supermatch.caresuper.com.au** or call **1300 360 149**



get in touch

Call CareSuperLine 1300 360 149

Visit caresuper.com.au

Email admin@caresuper.com.au

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