

# Super & You

Issue 1, 2017

investment  
update

How is super  
changing?



meet  
CareSuper members  
Raffaele and Jody Milone



# Welcome to Super & You

## Super is changing on 1 July

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

While changes to super can create feelings of uncertainty, it's important to know that you can still save effectively for retirement. In fact, many of the upcoming changes will provide extra flexibility for contributing to super, as well as easier access to some tax offsets.

If you're nearing retirement, there are some important changes to the way earnings in transition to retirement accounts are taxed, as well as the amount that can be transferred to a tax-free pension account.

To help you understand what's changing, and how you could be affected, we have devoted pages 6 to 9 of **Super & You** to explaining how super will be different from 1 July.

## Get in quick before super changes

As part of the super changes, contribution caps on how much you can add to super will be lowered. If you're trying to 'catch up' on super in the lead-up to retirement, this could be your last opportunity to take advantage of the existing rules before things change.

To make the most of things before 1 July, go to [caresuper.com.au/maximisesuper](http://caresuper.com.au/maximisesuper) to explore your contributions options, or call us on **1300 360 149**.

## The importance of seeking advice

At CareSuper, we try and make super as simple as possible for you to understand and manage, but like any financial arrangement, there are complexities – such as the upcoming super changes.

That's why we partner with Industry Fund Services financial planners<sup>^</sup> so you have access to expert advice to help with your decision-making. Our

planners can speak with you about super only, or take a look at your overall financial plan.

Your first consultation is cost-free as a benefit of membership, so if you're seeking advice for the first time you have a great opportunity to learn how it works without obligation, and before any fees are involved.

Book an appointment at [caresuper.com.au/advice](http://caresuper.com.au/advice) or call **1300 360 149**.

## 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 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 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

<sup>^</sup> 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.



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**SUNDAY 14 MAY 2017**

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supporter of the Mother's Day  
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.

## Investment returns to 31 December 2016

| Investment options    | 1-year<br>(%) | Long-term annual returns ^ |                    |                    |                     |
|-----------------------|---------------|----------------------------|--------------------|--------------------|---------------------|
|                       |               | 3-year<br>(% p.a.)         | 5-year<br>(% p.a.) | 7-year<br>(% p.a.) | 10-year<br>(% 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.





## 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, 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 to make the super changes

On 1 July, Government changes to super will come into effect. While changes to super may create feelings of uncertainty, it's important to know that you can still save effectively for retirement. In fact, while some limits are being introduced – such as lower contribution caps – other changes provide more flexibility and new ways to save.

We summarise a few key changes – and our top tips.

### Tip 1 Make the most of the current contribution caps

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

The more money you put into super, the more you can benefit from the tax concessions super provides (and compounding interest on any positive returns).

From 1 July, the caps on the amounts you can contribute before- and after-tax are being lowered. (You also won't be able to make any more non-concessional contributions if your balance, in both super and pension accounts, reaches \$1.6 million.)

We all have financial commitments outside of super – and large, regular contributions towards our retirement may simply be out of reach. But say, for example, you sell a house or receive an inheritance this financial year. You might consider contributing some extra money to super before 1 July so you can make the most of the current caps.

If this isn't possible for you, can you contribute even small amounts regularly to help your super become a viable source of income for retirement? Popular contribution methods include salary sacrifice, where your employer directs more of your salary straight into super.

### the 'bring forward' rule

This rule, where you can 'bring forward' up to three years' worth of contributions, will remain after 1 July. However, the amount you can bring forward for a single financial year will be reduced in line with the new caps.

If you have already triggered the rule and won't use up the full amount before 1 July, transitional arrangements will apply.



### Next steps

Learn how to contribute more at [caresuper.com.au/maximisesuper](https://caresuper.com.au/maximisesuper) or download a Contribution form at [caresuper.com.au/forms](https://caresuper.com.au/forms).

# work for you



## Tip 2 Maximise your tax deductions for personal contributions

### At a glance

One of the ways you can top up your super before tax is to ask your employer to direct more of your salary into super. This is called salary sacrifice. It means your money will be taxed going into super instead of as part of your assessable income. Generally, the super tax rate (up to 15%) will be lower than your marginal tax rate, so you'll pay less tax on your money.

If you're self-employed, currently you can claim a tax deduction on personal contributions up to the concessional cap, as long as you earn less than 10% of your income from wages or a salary.

But what if you're only partially self-employed or your employer doesn't offer salary sacrifice? Well, from 1 July, all Australians under age 65, and those under age 75 who meet the 'work test', can make personal contributions to super (up to the concessional cap) and apply for a tax deduction. This includes the self-employed and full-time, part-time, casual and split-income earners.

### CASE STUDY

### Meet Josephine

Josephine earns \$90,000 in 2017/18 as a Human Resources Manager. Her employer doesn't allow salary sacrifice.

Josephine pays \$5000 towards her super out of her take-home pay and claims a deduction.

Her taxable income is now \$85,000 – so she has to pay less tax and she's lending a hand to her future self.

### Next steps

To claim a tax deduction, you'll need to complete a **Notice of intent to claim a tax deduction** form for the 2017/18 income year, which you can find on the ATO website at [ato.gov.au](http://ato.gov.au).



### can you close the gap?

This rule change also introduces more flexibility to make deductible contributions up to the concessional cap limit. For example, if you haven't reached the \$25,000 cap and it's nearing the end of the financial year, you could contribute the exact amount remaining to close the gap and take full advantage of the limit. Keep in mind that the concessional cap includes employer contributions – so make sure you know when these are added to your account.

# How is super changing on 1 JULY?



## Tip 3 What's mine is yours – understanding spouse contributions

1 JULY  
2017

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

**\$40,000**

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 or your partner are receiving very little super – or none at all. Perhaps you're raising a child, working part-time or looking for a job. 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 tax threshold to qualify for a tax incentive is becoming more generous.

### Next steps

- Learn more at [caresuper.com.au/FAQs](https://caresuper.com.au/FAQs)
- Get the **Spouse contribution** form at [caresuper.com.au/forms](https://caresuper.com.au/forms)

## Tip 4 Discover the retirement changes before you retire

If you're considering your retirement options, these are the key super changes for retirees:

- **A tax on earnings in transition to retirement (TTR) accounts.** Until 1 July 2017, earnings in TTR accounts are tax-free. From 1 July, a tax of up to 15% (the same as super accumulation accounts) will apply to earnings in both new and existing TTR accounts. TTR accounts still have benefits, including the ability to access income from your super while you're still working.
- **A new \$1.6 million transfer balance cap on funds being transferred to tax-free pension accounts.** If you have other pension income arrangements outside of CareSuper, keep in mind that these may count towards the total amount of the cap. People with more than \$1.6 million already in their retirement account need to act to reduce their balance before 1 July to avoid penalty. If you are concerned this change could affect your retirement planning, you should seek financial advice.



Learn more at [caresuper.com.au/superchanges](https://caresuper.com.au/superchanges).

### Need help?

As a CareSuper member, you have access to IFS financial planners\* for help getting your finances sorted. If you're part of a couple, we'd suggest seeking advice together, as some strategies are only available to partners. To book a call back or arrange an appointment call **1300 360 149** or go to [caresuper.com.au/advice](https://caresuper.com.au/advice).

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# Could **income layering** help secure your retirement?



As a population, Australians are living for longer and spending more time in retirement.

But living longer also means we need to stretch our savings a little more. Plus, there's more pressure on the Age Pension, which means that as a society we must look at different and more innovative ways of funding our retirements.

From 1 January 2017, the Government increased the Centrelink assets test lower threshold so that people can own more and still receive the full Age Pension. But it's also now harder for people to receive a part pension, because for each \$1000 you have over the threshold, your fortnightly pension will reduce by \$3 (up from \$1.50).

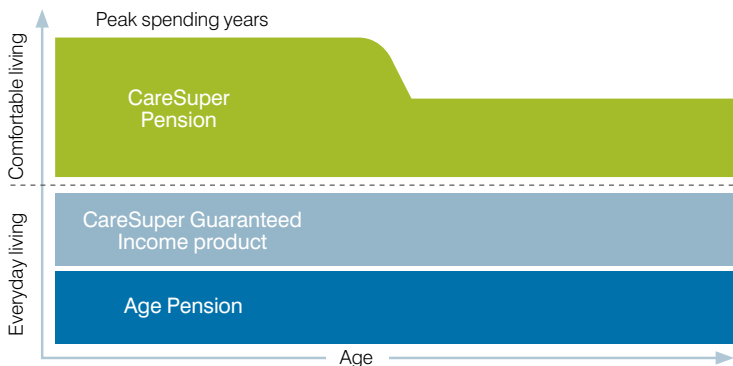
This, along with longer life expectancy and the risk of market fluctuation, might make you feel uneasy about whether your income will last for a longer retirement. Fortunately, financial planners are coming up with new ways to help your income last the distance.

For example, a growing trend for managing money in retirement is 'income layering', which involves 'layering' your income from various sources to meet your needs. Using this strategy, your goal might be to meet your everyday expenses with a combination of the Age Pension and a CareSuper Guaranteed Income account.

The benefit of a guaranteed income account is that it provides certain, regular payments over a fixed term or your lifetime (you choose), regardless of how the market performs.

Once you know your essentials are covered, you could use the more flexible income from a CareSuper Pension to suit your changing needs. For example, it could go towards unexpected costs or activities outside of 'everyday' living, such as a holiday.

Here is an example of income layering at work. Please note this is an example only and you should seek advice about the best approach for you.



## Need more information?

To learn more about CareSuper's Guaranteed Income product, visit [caresuper.com.au/retirement](https://caresuper.com.au/retirement) or call the CareSuperLine on **1300 360 149** to speak with a financial planner or book an appointment.



# Habits that could help you now – and in retirement

Whether you're dreaming of retiring early or planning to continue working for as long as you can, there are some healthy financial habits you can consider adopting now to take with you into retirement. Here are two of them:

## 1 Being on the same (financial) page

If you have a partner, getting into the habit of talking openly about any combined finances can make a big difference. Of course, if you share a similar philosophy about money, you'll probably find this a lot easier. But if your partner is a big spender who loves overseas travel and you're a saver who likes staying close to home, it's important to reach a compromise on how you will use your hard-earned savings.

One of the best ways to do this is to get together to create a pre- and post-retirement budget, with the goal being to agree on an approach that satisfies both partners. If you find this challenging, you might consider consulting a third party professional, such as an accountant or qualified financial planner to help you out.

Once you've set your budget, getting into the habit of reviewing it together every so often can help you stay on track.

For tips on personal budgeting, including an online budget planner, click on the 'Managing your money' tab at [moneysmart.gov.au](http://moneysmart.gov.au). For more information on planning ahead for retirement, check out [caresuper.com.au/retirement-basics](http://caresuper.com.au/retirement-basics).

## 2 Getting quality advice

Making it a habit to consult with a suitably qualified financial planner can make a world of difference to your peace of mind before and during retirement. CareSuper members have access to a team of IFS financial planners\* who can assess your specific circumstances and help you make informed decisions. To find out more go to [caresuper.com.au/advice](http://caresuper.com.au/advice) or call us on 1300 360 149.

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Raffaele Milone has been a CareSuper member for 27 years – so he knew where to go for help when he and his wife, Jody, started discussing the things they'd like to do after he stops working.

'We spoke with a CareSuper financial planner about setting a plan in place for our super,' he says.

'I think we have achieved a lovely outcome for when retirement does arrive,' adds Jody, a 'CareSuper newbie' who joined 12 months ago.

While super is an important part of the couple's future financial plans, they have other interests too.

'My wife and I are hoping to invest in real estate,' says Raffaele, 'which was something we were able to incorporate into our planning through CareSuper.'

When asked how they approach their financial decision-making, Raffaele reveals the tried and true method that has 'worked well for all our married life'.

'We talk about all of our financial decisions. If we can't agree on certain points, we either put that particular discussion on hold until further notice, or just alter course and look for something new.'

In their daily lives, Jody is a 'domestic engineer'. She used to work for the local supermarket, setting up the deli department in the pre-dawn hours.

Raffaele has been going to work for the same company since 1993 – and has worked in the same field, fire protection within the construction industry, his whole career.

'Years ago, I replied to an advert for a junior fire protection draftsman. The rest is history,' he says. 'It is a very interesting job as there are so many wonderful projects out there that I have worked on, like Federation Square and Etihad Stadium. It's a good job – a life-saving job.'

What does the future hold for the Milones?

'Super will mean we don't have to rely on the Age Pension, so we can live a bit more comfortably and do a few extra things in retirement, like travel around Australia,' says Raffaele.

'That's one of the reasons I talk to my children about super. I tell them they can live more comfortable lives in retirement if they have a good super company like CareSuper looking after them – and that they should contribute at a young age and incorporate it into their budget.'

## what's your story?

If you'd like to share your story with us, please email us at [social@caresuper.com.au](mailto: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](http://supermatch.caresuper.com.au)**  
or call **1300 360 149**



## get in touch

**Call** CareSuperLine 1300 360 149

**Visit** [caresuper.com.au](http://caresuper.com.au)

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