

yourtime

Issue 1, 2017

How is super
changing?

investment
update 2016/17



meet

CareSuper member

Carol Brown



Welcome to your time

Will the 1 July super changes affect you?

In November last year the Government legislated a range of changes to super.

Some of these changes, such as the new cap on transfers to pension and the new tax on earnings in transition to retirement accounts, may require you to take action.

That's why we have devoted this edition of **Your Time** to the upcoming super changes – so you can learn what's changing, if you're likely to be affected, and what to do next.

Go to pages 6 to 9 to learn about the key changes for retirees.

A super changes resource for members

Change can create feelings of uncertainty – especially when those changes have to do with your financial arrangements.

To keep information and control at our members' fingertips, we have created a 'Super changes' webpage. Once you've read this magazine, you can visit for even more information, and keep returning as we provide further updates.

Go to caresuper.com.au/superchanges.

The reason we ask for your email

Each time we reach out to you in our bi-annual magazines, we ask you for your email.

This is because having your email address allows us to provide you with more regular updates about super – such as the upcoming changes. These updates can help you be better prepared and take action sooner.

It can also provide a more seamless and interactive online experience.

To provide your email log in to your online account at caresuper.com.au/login or call us on **1300 664 781**.

How did your investments perform in 2016?

Last year certainly saw some political upheaval in the form of Brexit and the US election, however, throughout the year there was evidence of a strengthening global economy, and CareSuper's pension investment options closed out 2016 strongly.

In fact, all of CareSuper's Pension Managed options produced top quartile returns over 1-, 3-, 5- and 7-year periods (compared to other surveyed funds).*

Learn more about this impressive result on pages 4 and 5.

Julie Lander | CareSuper CEO

If you have any questions or feedback, please email us at pension@caresuper.com.au or call us on **1300 664 781**.

* As measured by the SuperRatings Pension Fund Crediting Rate Surveys, December 2016.



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contents

04 CareSuper's investment performance

05 How CareSuper invests in cash



06 Will the 1 July super changes affect you?

08 Could income layering help secure your retirement?

09 Should you seek advice as a couple?



10 Protecting yourself from online scams

11 Meet CareSuper member Carol Brown



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Suzanne Branton
General Manager
– Investments

Investment update

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

A look back at 2016

While elections and political change dominated the news in 2016, financial markets were also influenced by evolving global economic conditions.

Throughout the year, 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 US. Time will tell whether this initial optimism will be sustained.

How did your investments perform?

CareSuper's three largest pension options by member size, the Conservative Balanced, Capital Stable and Balanced options, delivered very strong returns.

Pension investment returns to 31 December 2016

Investment options	Long-term annual returns*				
	1-year (%)	3-year (% p.a.)	5-year (% p.a.)	7-year (% p.a.)	Since inception ^ (% p.a.)
Managed options					
Capital Guaranteed	2.22	2.77	2.14	2.45	3.04
Capital Stable	6.77	6.20	8.22	7.51	6.08
Conservative Balanced	7.79	6.95	9.79	8.30	6.27
Balanced	10.21	9.02	12.31	9.76	6.72
Sustainable Balanced	8.50	8.49	11.80	9.21	5.85
Alternative Growth	11.31	8.76	12.26	9.75	6.74
Growth	10.96	9.43	13.89	10.16	6.43
Asset Class options					
Capital Secure	2.60	2.91	3.40	3.91	4.08
Fixed Interest	3.43	4.73	5.75	7.21	7.04
Direct Property	13.40	12.45	10.59	10.18	7.00
Australian Shares	13.87	8.33	13.49	8.42	4.85
Overseas Shares	9.27	10.08	18.06	12.19	6.95

* These returns are compound average annual returns.

^ The inception date for all investment options is 1 July 2007.

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.

Results over the year to 31 December 2016 materially exceeded the respective CPI benchmarks of these options.

In fact, all of CareSuper's Managed options produced top quartile returns (compared to other surveyed funds) over 1-, 3-, 5- and 7-year periods,[#] an impressive result that demonstrates CareSuper's consistency over the long term and commitment to delivering on value, while protecting members' money.

Looking ahead in 2017

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 policy in the US will affect the global economy and if 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.

CareSuper's commitment to active investment and our philosophy of protecting capital in volatile times is likely to remain central to delivering consistent returns going forward.

CareSuper's cash investment

For some members, a cash investment can provide the security and protection they want. Cash is the lowest risk option for investors, but returns are modest in a low interest rate environment, such as we are experiencing now.

CareSuper's cash option, the Capital Secure option, has delivered strongly over time, not only outperforming the UBS Bank Bill Index (the market standard benchmark),** but achieving a



high first quartile ranking compared to peers in SuperRatings' Cash options survey.[†]

In order to add as much additional return for cash-invested members as we can, CareSuper takes an active approach to investing in cash.

Assets in the Capital Secure option are invested exclusively in cash and short-term money market instruments, including some term deposits. Members can switch in and out of investment options weekly, providing flexibility to access their money.

While banks may sometimes offer enticing interest rates to attract investors in term deposits, investors are 'locked in' until the maturity date. Accordingly, the interest that a bank will pay on a 12-month term deposit is typically higher than a 3-month term deposit. The longer the term, however, the less flexibility you have to access your money.

CareSuper's investment managers have access to institutional markets and securities and diversify the investments for the Capital Secure option across a wide range of cash and short-term instruments. Our investment philosophy focuses on protecting your money against market downturn, while employing strategies to maximise the returns that can be achieved at any point in time.

[#] As measured by the SuperRatings Pension Fund Crediting Rate Surveys, December 2016.

^{**} Source: Bloomberg Finance L.P.

[†] SuperRatings Pension Fund Crediting Rate Survey, December 2016 – SRP50 Cash Index.

1 July super changes

Will the 1 July super

In November 2016 the Government legislated a range of changes to super. These were the biggest changes in over a decade and came on the heels of the Government's adjustment to the Centrelink assets test, which has affected how Age Pension entitlements are calculated.

Most of the changes to super will come into effect on 1 July 2017, and some will be more relevant for retirees than others. We've provided more details about these changes below. If you would like to know about the other changes, visit caresuper.com.au/superchanges.



A new \$1.6 million transfer balance cap for pensions

One of the benefits of having money in a retirement account through super is that investment earnings from this money are tax-free.

From 1 July 2017, the Government has introduced a \$1.6 million cap on the amount you can transfer to, or retain in, a tax-free pension environment. (It's important to understand that this cap does not apply in relation to transition to retirement accounts.)

If you have a public sector pension fund or other income stream arrangement outside of CareSuper, this may also count towards the total amount you can transfer to a tax-free retirement account.

The transfer balance cap will increase in \$100,000 increments in line with the consumer price index (CPI) – so, for example, the cap for 2017/18 will be \$1.6 million, but will rise in subsequent years.

changes *affect you?*

This change also means that people with more than \$1.6 million in their retirement accounts will need to take action to reduce the balance prior to 1 July 2017 to avoid penalty. Funds can stay in the superannuation system by transferring the excess into an accumulation account, a transition to retirement account, or be removed by withdrawing the excess funds.

If you remove excess funds from your pension account before 1 July, and later on your balance rises over \$1.6 million due to investment earnings there is no further requirement to transfer out those funds, as increases due to earnings will not impact your cap.

Once you reach the transfer balance cap you will no longer be able to take advantage of the CPI increases, which will be available proportionally based on your available cap space.

For more information go to ato.gov.au/transferbalancecap.

Transition to retirement accounts no longer have tax-free earnings

For many people, the appeal of a transition to retirement (TTR) account is that you can start to access some of your hard-earned retirement savings while continuing to work in a job you love. A TTR account might allow you to reduce your hours, or it might be a way for you to boost your super while saving on tax.

At the moment, one advantage of moving your super into a TTR account is that investment earnings on these accounts aren't taxed. From 1 July 2017 this will change, and they will be taxed at the same rate as normal super accounts (up to 15% – which is still lower than many people's marginal rate). Once you're ready to fully retire, you can move up to \$1.6 million of your super into a pension, where all your earnings will be tax-free.

If a TTR account is part of your tax-management strategy (or you want to know more), it could be worth talking to a financial planner before 1 July to fully understand the implications for you.

seeking financial advice through CareSuper

If you would like to speak with a financial planner about the upcoming changes to super, you can get in touch by calling **1300 664 781** or booking an appointment online at caresuper.com.au/pensionadvice.

If you need to take action before 1 July, it is important to contact a financial planner as soon as possible.



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.

Age Pension assets test changes

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. At the same time, however, it's 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 generally, 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.

A new approach – income layering

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.

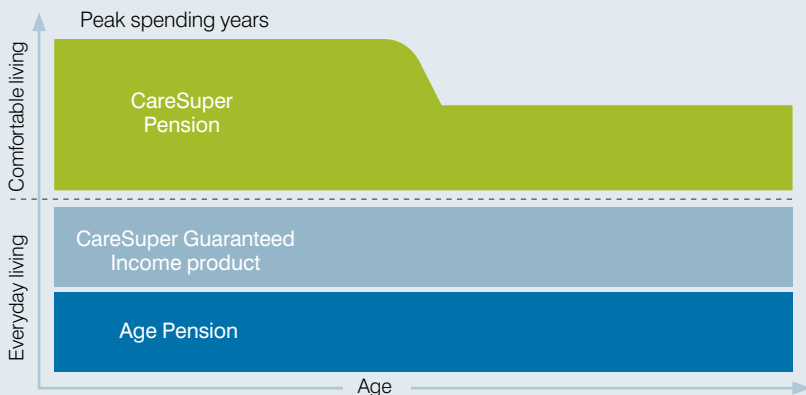
The benefit of a guaranteed income account is that it provides certain, regular payments over a fixed term or your lifetime (you choose), regardless of how the market performs.

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.

Do you want to learn more?

If you'd like to find out more about CareSuper's Guaranteed Income product, visit caresuper.com.au/retirement or call the PensionLine on **1300 664 781** to speak with a financial planner or book an appointment.

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.



Should you seek financial advice as a couple?

1 July
super
changes

Have the upcoming changes to super prompted you to review your retirement plans?

If you're enjoying retirement as a couple, it could be worth seeking advice together too, as some financial planning strategies are only available to partners.

Below, we take a hypothetical look at how the 1 July changes could affect pension members.

CASE STUDY

Meet Bob & Barbara

Bob (67) and his wife Barbara (60) own their home and are both fully retired. They have \$10,000 in contents, \$20,000 in the bank, and a car worth \$20,000.

Bob qualifies for the Government Age Pension, so his \$725,000 super account is counted as an asset by Centrelink. Barbara is too young to receive the Age Pension.

Bob and Barbara approach a qualified financial planner to see if there's anything they can do to maximise their entitlements and income before 1 July.

After reviewing their combined assets inside and outside of super, a planner suggests cashing out \$400,000 of Bob's super and depositing it into Barbara's super account to reduce their assessable assets and income for Centrelink.

This would not be possible after 1 July, as the non-concessional cap is being lowered and Barbara could only bring forward three years' worth of contributions (totalling \$300,000) rather than the current limit of \$540,000.

With the remaining \$325,000 in super, Bob commences a CareSuper Pension.



be informed

Every couple is different, so it's important to consider seeking tailored advice from a qualified financial planner. CareSuper members have access to IFS financial planners* who can assess your specific circumstances and help you make informed decisions.

Go to caresuper.com.au/pensionadvice or call 1300 664 781 for more.

* 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.

protecting yourself from online scams

The internet and computers have changed many things for the better.

We can book last-minute holidays, watch catch-up TV and ask Google the meaning of any word, rather than drag a dusty dictionary off the shelf to find out.

Of course, like everything, it comes with its downsides too. And if you send and receive emails or browse the web, you're probably aware that someone, some day, will try and scam you.

This doesn't have to be cause for alarm – only vigilance. Along with installing reputable antivirus software, there are plenty of practical things you can do to protect yourself online.



tips for better online security

- **Beware of fake Government emails:** The Australian Government and Australian Taxation Office don't use email to send important information or request tax payments – so if you get one, don't respond.
- **Choose passwords carefully:** For maximum security, employ different passwords for different sites. Your passwords should be a mix of numbers and upper/lower-case letters (avoiding family names or birthdates).
- **Don't share your information:** Never respond to emails requesting personal information, unless you have made contact first. Reputable businesses and public agencies won't ask you for personal information in an email.
- **Be guided by grammar:** It's good to be a stickler! Poor choices in wording, phrasing or spelling usually point towards an untrustworthy source.
- **Be sceptical:** If an offer seems too good to be true, it probably is. Be wary of irresistible bargain offers or unexpected prizes.



staying safe

Visit **scamwatch.gov.au** for more security tips and news.

meet

CareSuper member

Carol Brown

'The company where I worked for over 20 years had their own preferred super fund,' says Carol Brown. 'But I preferred CareSuper.'

'I've been a CareSuper member for a long time, and as I felt that CareSuper looked after everything I needed from a super fund I never felt the need to change.'

While Carol has been confident about her choice of super fund throughout her working life, she has made one major change lately.

'I've retired.

'I have a back problem, and being seated at a desk aggravates it,' she says, 'so a few years ago I started preparing for retirement with the help of CareSuper's financial planners. The plan we worked out for my finances at the time has helped enormously.'

While Carol talks about super with family and friends as well ('I think most people do – it's always good to hear other opinions'), she says she's 'very budget conscious', so she won't make any changes to her financial plans without seeking qualified advice first.

'I've always been a big saver,' says Carol, 'and a big traveller. In fact, I've driven across the United States with my sister. Alaska was a particular favourite – it was stunning! Next we're planning a trip back to Europe or to see more of the States.'

Now that she's retired, with more time for passions including reading, gardening and music, Carol is also considering volunteer work. 'I want to be active within the community.'

“ I have my pension plan in place with CareSuper and am confident it's the best financial plan to suit my needs. ”



Looking ahead, Carol expects CareSuper to keep taking care of her, 'as has previously been done'. She says, 'I have my pension plan in place with CareSuper and am confident it's the best financial plan to suit my needs.'

Do CareSuper's awards and top ratings provide any extra reassurance about how her super is being managed?

“ It's comforting to know my finances are in the care of a company that's won awards on more than one occasion. It shows they are continually trying to improve their services, not just resting on their laurels! ”

When asked if there's any advice she would pass on to others, Carol says, 'Even if it's only a small amount, I would always suggest looking into salary sacrificing.'

what's your story?

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



get in touch

- Call** CareSuper PensionLine
1300 664 781
- Visit** caresuper.com.au
- Email** pension@caresuper.com.au
- Write** CareSuper Pension
Locked Bag 5042
Parramatta NSW 2124

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