



talkingsuper

December 2009

talkingsuper is a newsletter for employers. It contains data for the investment performance of the IOOF MultiMix Trusts, available to members of the IOOF Portfolio Service Superannuation Fund and provides a monthly summary comment on general superannuation (super) issues and investment markets.

Investment performance

The returns detailed below are for the IOOF MultiMix and Multi Series Trusts for the one, three, six and 12 months ended 31 October 2009.

Returns (%)	1 mth	3 mths	6 mths	12 mths
IOOF MultiMix Trusts				
Capital Enhanced Trust	0.14	3.54	8.26	10.94
Conservative Growth Trust	-0.49	3.52	8.74	9.55
Balanced Growth Trust	-1.99	4.38	11.67	7.82
Hi Growth Trust	-2.61	4.48	12.66	5.52
Total Growth Trust	4.88	13.13	25.41	-12.82
Australian Liquids Trust	0.62	2.00	5.02	5.83
Diversified Fixed Interest Trust	0.48	3.23	7.23	13.47
Australian Shares Trust	-2.71	11.36	26.21	24.65
International Shares Trust	-4.08	-2.27	1.32	-12.74
IOOF Multi Series Trust				
Balanced Trust	-2.38	4.90	12.55	6.44

The IOOF MultiMix Trusts were accessible for investment from 29 April 2008. Issued by IOOF Investment Management Limited (IOOF), ABN 53 006 695 021, AFS Licence No. 230524 as Responsible Entity of the IOOF MultiMix and Multiseries Trusts, Past performance is not a reliable indicator of future performance. Performance is net of fund manager fees and charges. Performance is based on exit price to exit price for the period and assumes that all distributions are reinvested. Investment management fees, other fees, expenses and tax (where applicable) are accounted for in the exit prices. Unit prices may rise and fall in line with the value of the underlying assets. Neither IOOF, the investment managers, nor any of their related bodies corporate, guarantee the performance or any rate of return of the investments. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. This Performance Summary is not intended to represent investment or professional advice and does not take into account your individual financial circumstances. You should consider the appropriateness of this information, having regard to your individual financial circumstances. A Product Disclosure Statement (PDS) should also be obtained and you should consider the PDS in deciding whether to acquire, or to continue to hold, the investment.

Market update – October 2009¹

October 2009 saw share markets finish lower, ending seven months of continuous gains. Profit taking, caused by disappointing economic data out of the US and the UK, was a main factor in the market retraction.

The Australian market as measured by the S&P/ASX All Ordinaries fell 1.9 per cent for the month, bringing the financial year to date return to 19.3 per cent. The MSCI World ex-Australia lost 2.2 per cent in local terms. The appreciation in the Australian dollar (3.7 per cent in trade weighted terms) reduced the returns for unhedged Australian investors to 4.1 per cent for the month. Meaning that the financial year to date return fell 14.5 per cent. Domestic Listed Property Trusts as measured by the S&P/ASX 300 Property index lost 9.0 per cent for the month, bringing the financial year to date return to 19.0 per cent.

Developments during October 2009 in Australia...

- The Reserve Bank again lifted interest rates by 0.25 per cent to 3.25 per cent. Australia is the first developed country in the G20 to tighten official interest rates. At the time of writing the Reserve Bank has increased rates in November and December 2009 to 3.75 per cent.
- Further positive economic data was released during the month. The level of employment jumped by 40.6k compared to an expected loss of 10k, while the unemployment rate decreased by 0.1 per cent to 5.7 per cent. Consumer confidence showed another increase.
- The Australian dollar rose in July against the US dollar (2.4 per cent), the Euro (1.4 per cent) and the Yen (3.5 per cent) but fell against the English Pound (-0.7 per cent).

In overseas news...

- The US economic data continued to be mixed. Existing home sales and industrial production in September 2009 both beat expectations. Third quarter GDP beat expectations rising 3.5 per cent. The unemployment rate remained unchanged at 9.8 per cent for September 2009.
- On the downside in the US there were disappointing results in September new home sales, building permits, housing starts and manufacturing.
- Oil prices rose to US\$75.00 per barrel.
- Gold rose 3.8 per cent for the month to US\$1,046.00/oz, mainly due to a weak US dollar and central banks seeking to diversify their foreign reserve holdings.

If you have any questions about this edition of *talkingsuper*, please call **Graeme Hughes** on 02 8257 9110, **Grant Wilson** on 02 8257 9396 or **Anita Chu** on 02 8257 9515.



Employee super obligations: missing the cut off date can be costly

Damian Hearn IOOF Technical Services Manager
Superannuation Guarantee (SG) contributions need to be made quarterly by the required cut off date. Failing to meet this cut off date can be costly and understanding what is involved is essential to

prevent a doubling up of SG contributions.

SG contributions require that employers pay super contributions to their employee's nominated super fund by the standard quarterly cut off dates (as shown in table 1). Most importantly, if you miss the quarterly cut off date it is essential to understand the extended quarterly cut off dates (also shown below).

Standard and extended SG quarterly cut off dates

Quarter	Standard cut off dates	Extended cut off dates
1 July – 30 September	28 October	28 November
1 October – 31 December	28 January	28 February
1 January – 31 March	28 April	28 May
1 April – 30 June	28 July	28 August

In simple terms, if an employer does not make the SG contribution or the employee's super fund fails to receive it by the standard cut off dates, they will be subject to the SG charge.

The SG charge is made up of three parts:

- the SG shortfall amounts (i.e. the SG contributions not paid);
- interest on the SG shortfall amount (at 10 per cent p.a.); and
- an administration fee (\$20 per employee per quarter).

If an employer has failed to meet their SG obligations, they have until the extended cut off date to lodge a Superannuation Guarantee Charge Statement – quarterly (NAT 9599) to the Australian Tax Office (ATO).

From this point onwards, it depends upon whether or not the employer has paid the SG contribution:

- to the employee's nominated super fund; and
- before or after the extended cut off date.

A. Paying the SG contribution to the employee's nominated fund after the standard cut off date but before the extended cut off date

If an employer has paid the SG contribution to an employee's super fund before the extended cut off date, the employer can use a late payment offset by lodging the SG charge statement – quarterly (NAT 9599). It is important to note the form must be

lodged with the ATO before the relevant extended cut off date. Using the late payment offset means the SG contribution made to the employee's nominated super fund can be used to offset the SG shortfall amount and the interest charge. Any administration costs of the SG charge will remain and will be payable to the ATO (the late payment offset cannot be used to pay it).

Even though an employer has used the late payment offset, the SG charge will not be tax deductible.

B. Not paying the SG contribution to the employee's nominated fund before the extended cut off date

If an employer does not pay the SG contribution to an employee's super fund before the extended cut off date, the employer must lodge the SG charge statement – quarterly (NAT 9599).

In simple terms, the SG shortfall amount, interest charge and administration costs will be payable to the ATO. Once this is completed the ATO will remit the SG shortfall amount and interest charge to the employee's nominated super fund.

Once again, the SG charge will not be tax deductible to the employer.

C. Important notes on paying the SG contribution to the employee's nominated fund after the extended cut off date

If an employer has paid the SG contribution to an employee's super fund after the extended cut off date, an employer may be able to offset the SG contributions paid late to a super fund against the SG charge providing the employer:

- made the payment prior to the date of their original SG charge assessment; and
- lodged the late payment offset election with the ATO within four years of the original assessment date.

Preventing a double up of SG contributions

If the ATO does not allow the offset to apply, the employer will be doubling up on the SG contributions. That is, the employer will still be subjected to the SG charge (including the SG shortfall amounts) even though the employer has made the SG contribution to the employee's nominated fund.

It is advisable for employer's who exceed the extended cut off date to contact the ATO to discuss what options are available and whether or not the late payment offset will apply. It may be worthwhile for the employer to consider paying the SG charge to the ATO instead of making a late super contribution on behalf of their employee.

Having a sound understanding of the extended cut off dates and the late payment offset is essential for employers. Most importantly, employers should try to avoid effectively doubling up on employer SG contributions.

1 Mercer Surveys (2009) Selected Market Indicators Commentary for the Month Ending 31 October 2009, Mercer (Australia) Pty Ltd