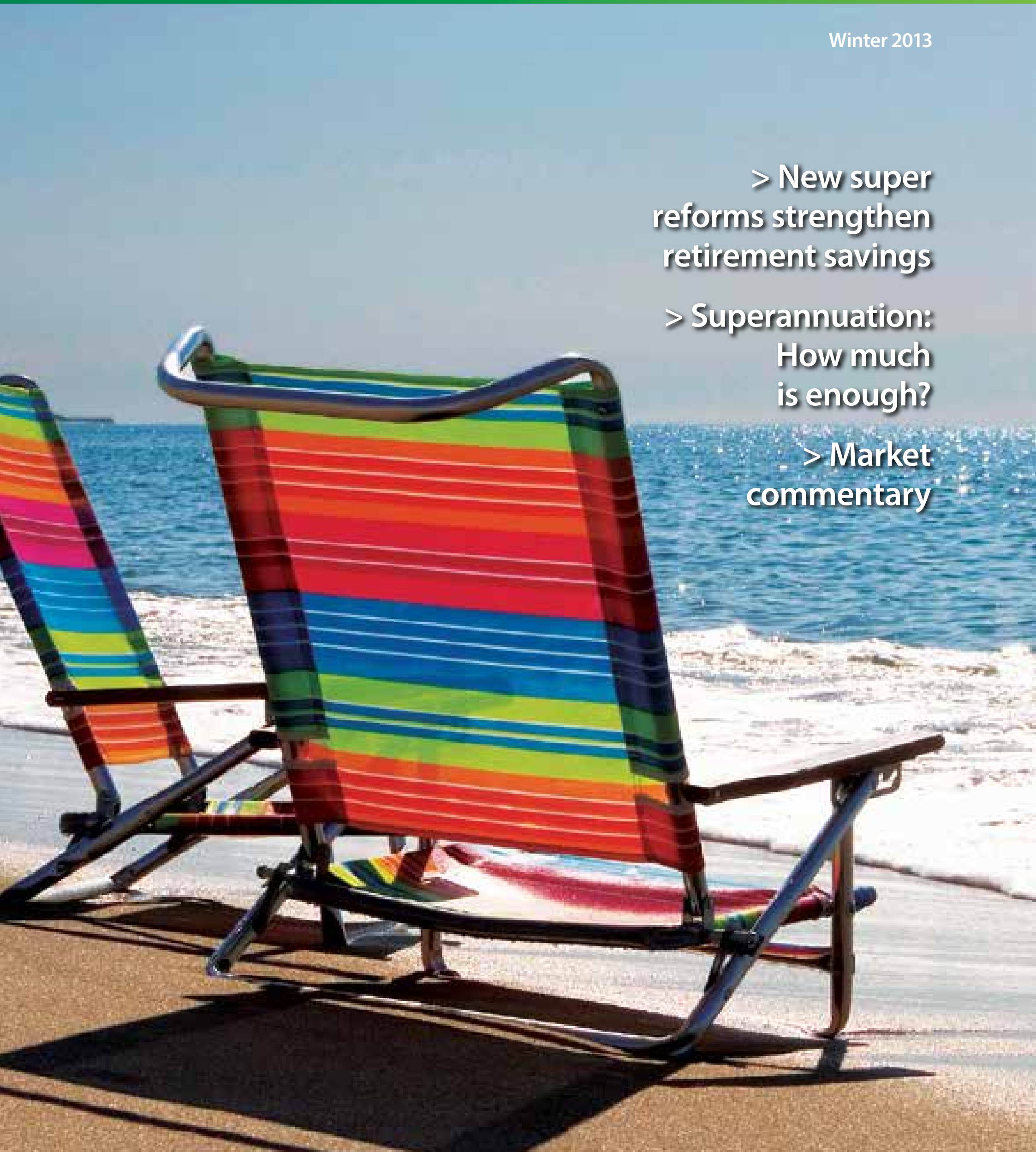
YourChoice

Winter 2013



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Super news for members of LifeTrack

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Welcome to the Winter 2013 edition of **Your** Choice

Superannuation is certainly a hot topic in the Australian media right now – from the increase in superannuation guarantee contributions to the introduction of MySuper, a new low-cost default fund solution, the industry is in the headlines on an almost daily basis. We have put together a couple of articles in this edition of our magazine to help you cut through the spin and provide you with tips to get your retirement savings in order.

Since the introduction of the superannuation gurantee in 1992, superannuation contributions have grown significantly – according to the first edition of APRA's Insight report for 2013, the total amount of funds invested in superannuation is expected to triple in size from $1.4 trillion to $4.2 trillion by 2035. If this projection is accurate, this would mean that in 2035 there will be more money in super funds than currently in the banking sector. Quite a staggering statistic!

This year has seen the introduction of MySuper, a simple product solution which will be the default fund for many superannuation funds (pre-retirement phase). If you're interested in what MySuper could mean for you, check out the article in this edition of our magazine.

If you have questions about any aspect of your superannuation, don't hesitate to speak to your financial adviser or call our client services team on **1800 062 963**.

Thank you for trusting us with your retirement savings – we look forward to many years of partnering with you, and helping you live the life you want in retirement.

Christopher F Kelaher
Managing Director
IOOF Holdings Limited

New super reforms **strengthen** retirement savings

The Government commissioned the Super System Review in 2009 to make recommendations to ensure the superannuation system was still operating for the best interests of members.

As a result of this review, the Government has set out a number of reforms under the heading 'Stronger Super'. Stronger Super's aim is to deliver a stronger and more efficient superannuation system, and to assist in maximising retirement income for members.

The key elements of the reforms are:

- the introduction of ***MySuper***, a new simple, cost-effective default superannuation product
- making the back office process of everyday transactions easier, cheaper and faster through the ***SuperStream*** package of measures
- clearer duties for directors of superannuation trustee boards and other measures to improve the ***governance and integrity*** of the superannuation system
- improved integrity and increased community confidence in the ***self-managed superannuation fund sector***.

MySuper, what are we doing?

We believe MySuper will benefit members who may not be engaged with their super fund. It will allow them to be invested in a product which is designed to be simple and cost effective with standard, easy to compare features and fees.

With this in mind, we are working with the regulator to secure our MySuper product licence. Our MySuper product will have a single diversified investment strategy, simple fee structure and basic death, total and permanent disablement and income protection insurance cover. It is our intention to offer our MySuper product by January 2014.

Our MySuper product will become the new default product, replacing any existing employer or trustee default investment option. This means if you have not made a choice of fund and are currently solely invested in an employer or default investment option, you will become a MySuper member.

We will communicate with you over the coming months if you are a future MySuper member. The communications will cover the new MySuper product, its fee structure, investment strategy and insurance cover.

You will have the opportunity to choose alternative, non-default investment options if you are affected.

We suggest speaking to a financial adviser when deciding if MySuper is the best super product for you and your circumstances.

Find your super

There's an estimated 3.6 million lost super accounts in Australia. That amounts to a total of $17.4 billion! Some of this money could be yours.

If you have any lost super or super spread across several accounts, you should consider consolidating it into one single account.

This makes it easier to keep track of how your super is growing and more importantly, save you paying multiple fees. Remember to check things like your insurance cover and any exit fees before closing any accounts. Your financial adviser can help.

Find out whether you have any lost super by visiting **www.ato.gov.au/superseeker** or call the ATO on **13 10 20.**

Did you know...

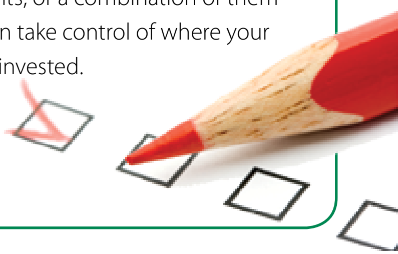
You are a member of one of Australia's oldest and largest financial services companies?

Strength

LifeTrack is part of the IOOF group – a leading independent financial services organisation that has been helping Australians secure their future since 1846.

Choice

LifeTrack offers a wide range of investments to suit any investment appetite. Be it either our own MultiMix or external managed funds, term deposits, direct shares and other listed investments, or a combination of them all, you can take control of where your money is invested.



Protection

Your greatest asset is your ability to earn an income but it is often taken for granted. Having the right insurance plan is the best way to protect this asset. LifeTrack has partnered with one of Australia's leading insurance providers, TAL, to provide both cost and tax-effective insurance options through your super.
You also have the option to customise your insurance cover to suit your needs.

Online

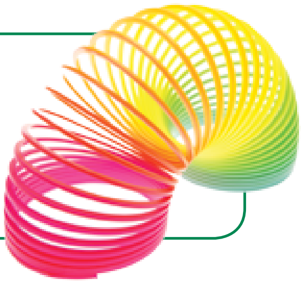
With our comprehensive range of online tools, you can review and manage your super online, and elect to receive communications electronically. If you are interested in managing where your super is invested, there are great transaction options available to you.

Transparent

No hidden fees, the cost of your super is clearly shown in your annual statement and can be viewed at any time online.

Flexible

LifeTrack has been designed to adapt to the needs of all Australians at every stage of life.



Whether you are moving from super to pension or just from one investment to another, we can assist with little or no cost to you!

Superannuation: How much is **enough?**

Whether your retirement is a distant thought or right around the corner, it's important to know how much you will need to secure the future that you want when you leave the workforce.

It's widely accepted that compulsory superannuation guarantee (SG) contributions alone may not be enough to fund your lifestyle in retirement. This is despite the Government's new law which sees SG contribution rates rise from 9 to 12 per cent by the 2019/20 financial year. So how do you go about calculating the income you'll need to fund the lifestyle you deserve in retirement? Here are some things to consider:

Life expectancies are on the rise

According to the Australian Institute of Health and Welfare, life expectancy in Australia has been increasing steadily since the 1970s. Men aged 65 have a life expectancy of age 79, and women of the same age can expect to live to age 84[1]. If you were to retire at 60, these statistics could mean your retirement may span over 20 years or more, and you will need sufficient savings to fund it.

Investment market fluctuation

Economic events such as the global financial crisis have highlighted the fact that investment markets can experience periods of uncertainty, which can impact returns. These events can impact your superannuation balance, but it's important to remember that superannuation is a long-term investment. We recommend you speak with your financial adviser to make sure that you're invested in a portfolio that suits your individual risk appetite.

1 Australian Institute of Health and Welfare (www.aihw.gov.au)

Work-breaks are increasinlgy common

Many Australians take breaks from the workforce, for many reasons – some to study, travel or to raise their family. In addition, many companies are being forced to restructure and cut costs where possible, meaning that redundancies are becoming more common.

Any of these situations will result in time out of the paid workforce, and therefore there will be no SG contributions made on your behalf. These work-breaks can have an impact on your retirement savings.

The age pension

The maximum age pension for a single person is $733.70, or $1,106.20 per couple each fortnight (applicable to 19 September 2013). Would this be enough to fund your current lifestyle? Also, as the Australian population ages (more than 1.6 per cent of the population is already over 85, it's estimated that by 2050 this will have risen to at least five per cent[2]) there will be fewer taxpayers to fund the age pension, relative to the number of retirees.

When does the pension kick in?

The Government's age pension only starts when you hit the age pension age, which is determined by the date you were born:

Date of birth	Women eligible for age pension at age	Men eligible for age pension at age
Between 1 July 1947 and 31 December 1948	64½	65
Between 1 January 1949 and 30 June 1952	65	65
Between 1 July 1952 and 31 December 1953	65½	65½
Between 1 January 1954 and 30 June 1955	66	66
Between 1 July 1955 and 31 December 1956	66½	66½
After 1 January 1957	67	67

Source: Department of Human Services

2 Productivity Commission, Caring for Older Australians, August 2011 (www.pc.gov.au)

How can you calculate your retirement needs?

Deciding on when to retire is a very personal choice, and one which will depend on varying circumstances. There's no doubt that one of the major considerations will be whether you have sufficient savings to fund your lifestyle into the future.

Moderate versus comfortable lifestyle

The most recent research figures released by the Association of Superannuation Funds of Australia show that a couple who are looking to achieve a 'modest' lifestyle, which would be better than the age pension but still only able to afford fairly basic activities, would need to spend around $32,603 per year.

For those couples wanting to live a 'comfortable' lifestyle, which would enable an older, healthy retiree to be involved in a broad range of leisure and recreational activities, and to have a good standard of living through the purchase of such things as household goods, private health insurance, a reasonable car, good clothes, a range of electronic equipment, and domestic (and occasionally international) holiday travel, would need to spend $56,317 per year[3].

The '60 per cent' rule

According to calculations from the Financial Services Council, most Australians will need approximately 60 per cent of their pre-retirement income to maintain their current lifestyle in retirement. If you have large expenses, such as overseas trips planned for your retirement, you may need more.

Based on the 60 per cent estimate, if you're currently earning $70,000 a year, it's estimated that you'll need approximately $42,000 a year to maintain your current lifestyle in retirement.

The average super balance for those aged 60-64 is $79,002[4]. This means, on average, many people will face a shortfall in their super and will need to partially rely on the age pension to fund their retirement.

3 ASFA Retirement Standard (www.superannuation.asn.au)

4 Retirement Savings Gap at 30 June 2011 – Financial Service Council

Mind the gap

A report compiled by RiceWarner actuaries in March 2012 found that the average retirement savings gap is around $79,200 per person in the selected population (aged 25-64 earning between 50 per cent and 200 per cent of average wages[5]). Interestingly, the gap is the highest for those considered to be earning a 'middle income'. This is due to the fact that those on low incomes are eligible for more of the age pension (hence a reduction in the gap) and those who earn higher incomes have a greater capacity to amass enough savings to provide for themselves in retirement.

5 RiceWarner Acturies Retirement Savings Gap at June 2011 (www.fsc.org.au)

Getting onto the front foot

There are a number of ways you could increase your super savings, and it's never too late to start:

1. If you have more than one super account, consolidating them into a single account could save on fees and paperwork.
2. If you are a low-income earner and make after-tax contributions to your super, you may be eligible for the Government's super co-contribution scheme.
3. Depending on how you and your spouse's salary compare, you could also consider making spouse contributions, which may qualify for a tax rebate.
4. A salary sacrifice strategy allows you to contribute some of your pre-tax salary to super. Not only does this allow you to maximise your concessional contribution limit, but could also reduce the amount you pay in tax as well.
5. Be aware of the investment options you are invested in, and regularly monitor the performance of your portfolio.

Speak to an **expert**

Your financial adviser is a superannuation specialist, who will help you identify your needs, and provide you with a clear plan to build your super savings, so you can look forward to your retirement.

Market commentary

Improved investor sentiment around the globe saw many investors move away from cash and other defensive assets to more growth oriented assets. This sentiment was largely generated from the US economy which continued to deliver moderate but relatively steady growth through the 2012/13 financial year. Meanwhile, whilst the problems in Europe haven't disappeared, it does appear that the worst of the European banking crisis may have been put behind us and the overall market environment began singing a much healthier tune.

Australian shares had a particularly strong year finishing the year up by just under 22 per cent (ASX/200 Accumulation Index), which is a particularly strong return in a low inflation environment. In addition to improved investor sentiment, this performance can be in part attributed to the fact that many investors sought out the potential for higher returns by moving away from defensive asset classes, such as cash and fixed interest, and invested in growth assets such as shares. Domestically, it was the health care sector in particular that was a standout performer whilst materials was the worst performing sector.

Looking across the world, global share markets continued their strong run and finished the year up over 30 per cent. This was despite the emergence of reoccurring concerns over the European debt crisis and numerous other fiscal and economic

Market indices for the financial year to 30 June 2013

Asset class	Index	12 month performance %
Australian shares	S&P/ASX 300 Accumulation Index	21.90
International shares	MSCI All Countries World ex-Australia Index ($A)	30.74
Australian fixed interest	UBSA Composite Bond Index	2.78
International fixed interest	Barclays Capital Global Aggregate Bond Index ($A Hedged)	4.59
Australian property	S&P/ASX 300 Property Accumulation Index	23.98
International property	UBS Global Real Estate Investors ex-Australia Index ($A) Hedged Net TR	15.46
Cash	UBSA Bank Bill Index	3.28

Source: Morningstar, BNP

challenges. The impact of the Australian dollar declining from its highs against the US dollar and other currencies attributed to the performance of this asset class.

In terms of listed property, domestic listed property trusts largely echoed the performance of Australian shares with a return of 24 per cent, whilst global listed property had a 15 per cent hedged return and 25.36 per cent return unhedged.

Fixed interest markets performed as anticipated in this low running return environment. The UBS Composite Bond Index returned under three per cent for the financial year, whilst the Barclays Global Aggregate Index returned under five per cent.

Going forward the double digit returns of the share market over the last financial year will be hard to sustain – especially in a lower growth, low inflation environment. This does not mean that markets will collapse, but rather more 'normal' returns in the high single digits or low teens are more likely going forward. In the areas of cash and fixed interest there is greater certainty that returns will be low. One area to watch will be the movement of the Australian dollar as this can have a big impact on returns of any assets invested offshore.

Steve Merlicek
Chief Investment Officer
July 2013

Super at your finger tips

With more and more of our day-to-day activities taking place online, such as shopping and banking, it makes sense that your super is as well.

Our online tools are an easy and convenient way to keep on top of things. Whether you want to view your balance or investment earnings, update your personal details or completely change your investment portfolio, you can take control of your super.

By using online access, you can:

- manage your investments
- change your investment instructions
- switch from one managed fund to another
- view and update personal details
- view BPAY® details
- view your death benefit nomination
- utilise account and portfolio reports.

® 'BPAY' is registered to BPAY Pty Ltd ABN 69 079 137 518

Online access gives you full transparency over your super including:

- a detailed account and portfolio summary
- transaction history
- account history
- asset allocation
- fund performance
- ability to opt in to receive all our member communications online.

How to register for online access

If you haven't logged on to online access before, you will need to register first. All you need to do is visit **www.ioof.com.au** and complete the online registration process (which includes setting up your electronic communication preferences).

Once you have completed the online application process, we'll send your password to your nominated email address so you'll be able to log into your account right away.

Where to go for help

We believe you will find the online registration process pretty straight-forward. However, should you need help you can always call our client services team on **1800 062 963** or email **clientservices@ioof.com.au**.

Get the right advice

Your investment needs may change as your personal circumstances change so it's best to review your investment strategy regularly. Speak to your financial adviser today to explore the best way for you to invest your super. If you don't have a financial adviser, we can put you in contact with one in your area. Call our client services team on **1800 062 963** or email **clientservices@ioof.com.au** for a referral.

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