



## Quarterly Newsletter

Issue 24  
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### Super Services from AXIS Financial Group

AXIS Financial Group is located in the heart of Perth's CBD. Our offices have been designed to provide functional support to how we service clients and how we interact as a team to service clients.

Organisationally, we are very different from the normal financial planning company. We service thousands of superannuation members, while the average financial planning company only services hundreds.

Our primary area of business is corporate superannuation with the selection and operation of company default superannuation funds.

All companies are obligated to ensure they have a compliant and well administered fund to present to their employees. First of all, companies want to ensure that this employer sponsored benefit is appreciated by their workforce as an important element of their salary package.

Secondly, there is always the danger of a mistake in internal administration that can cause an employee issue and even open up the company to loss if their fund did not operate to the desired level.

Then there are the needs of your workforce. AXIS Financial Group promotes scheduled access to meet with employees in group and/or individual sessions in a manner which is time efficient and beneficial in communication. How we interact with your workforce is dependent upon your preferences!

So how do we deal with 15,000 employees over 60 different funds across all of Australia? We have heavily invested in a client management system which gives us all the information we require about investment choices and account status, individual contact details and means of bulking communications automatically, the creation and maintenance of standard templates, workflow

control and task management, document maintenance and maintaining records of a client interaction.

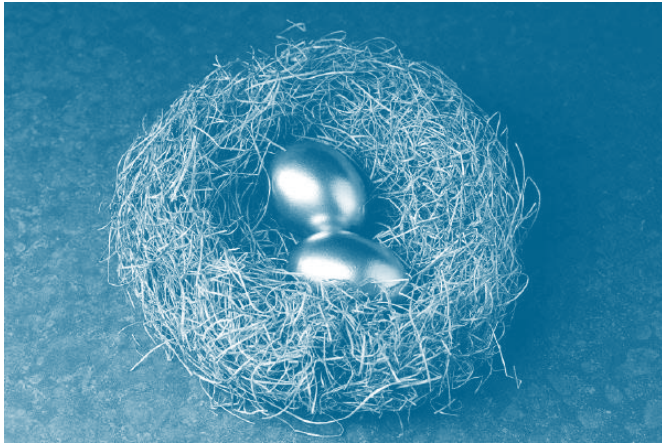
The intention is to continue going on to develop the service options that you want. A new website is under construction and is approaching the final stages of design.

There will be interactive forms available for employees to easily proceed through the different services offered by AXIS Financial Group. The final specification is all but complete with coding to start in mid February. This will lead to a launch through our next AXIS Directions for the Winter quarter. However, we'll be sure to email you prior to our next publication and please feel free to comment on our efforts as we try to ensure excellent service at both corporate and employee level.

In spite of constant changes by others that make superannuation more complex, AXIS Financial Group strives to explain it all very simply. Our banner is "Making Corporate Superannuation Easy", an objective in these market times which goes unchanged!

## What's Inside this Issue

- So what about Super - Will Fees be Slashed?
- The Cost of Ordinary Time Earnings
- Super Tax Breaks
- Possible Tax Review and Super Boost
- Ant-Detriment Payments
- Mortgage Funds Frozen



## So What about Super – Will Fees be Slashed?

The superannuation industry is facing a major overhaul that will target billions of dollars in fees in a plan to cut industry operating costs. Superannuation Minister, Nick Sherry, will press to find new ways to slash annual fees amid concerns about a slump in fund returns and questions about the adequacy of retirement incomes over the long term. The Government agenda includes a new template for product disclosure, improved reporting of investment returns and the creation of a national clearing house.

## The Cost of Ordinary Time Earnings!

A new ATO ruling has extended payment of the 9% Superannuation Guarantee to overtime, maternity leave and allowances. While the ruling is contentious, lawyers are also warning that the ruling may be applied retrospectively. Changes in the definition of Ordinary Time Earnings introduced by the previous government became law on 1 July 2008. The changes mandated that employers pay the Superannuation Guarantee on performance-related pay and shift allowances, but not overtime. However, the ATO decision goes further, arguing that the legislation did not change the definition of Ordinary Time Earnings, it simply clarified its much wider application. The ATO is arguing that it is the regularity of overtime that determines whether or not it is part of Ordinary Time Earnings. If an employee does the same hours every week, the ATO is saying that the overtime component should be included. This issue will require Federal Government intervention to clarify the legislation.

## Super Tax Breaks

In the last financial year (2007/08), new Treasury figures revealed that Australians investing in superannuation actually reaped a tax break benefit in excess of \$30 billion. People contributing to superannuation receive tax advantages in a

number of ways, noticeably the 15% rate on contributions and earnings, the co-contribution and also tax-free income after age 60.

However, this has highlighted the inequity of the current superannuation system, where higher income earners obtain a larger proportion of the tax breaks. When this was last argued, the Federal Government introduced a tax surcharge for high income earners to rebalance what was considered fair. Unfortunately, it apparently cost more to administer the tax than the revenue collected. However, arguably high income earners actually pay more tax than someone on half the income without making greater use of the government supplied services. So what is really equitable in the circumstances? The Federal Government will have to increase inflows at some point to sort out the impending deficit.

We'd be interested in your thoughts on this issue, so please email us at [mail@axisfg.com.au](mailto:mail@axisfg.com.au) with your opinion! We'll be publishing your feedback in the next issue of AXIS Directions.

## Possible Tax Review and Super Boost?

The Henry tax review is considering how best to manage superannuation. An option known as "soft compulsion" would require future pay rises to be contributed into superannuation, with employees being able to opt out if they choose.

Another possible change being considered is a different tax break regime for low income earners or people at certain life stages.

Some product providers have reported a fall off in salary sacrificing to superannuation because of the market losses. All clients of AXIS Financial Group have held their salary sacrifice levels, with some making an adjustment to have their future salary sacrifice contributions invested in cash for the time being.



## Anti-Detriment Payments

Section 295-485 of the ITAA deals with what is known as anti-detriment. This applies to a member of a superannuation fund who dies before reaching pension phase. The superannuation fund would pay out all the taxes on contributions in ADDITION to the death benefit, but would then claim this amount as a tax deduction against income in the year the benefit is paid out. So it is important that the super fund has sufficient reserves to pay out the Contributions Tax. This additional death benefit applies to any complying superannuation fund or Approved Deposit Fund which has been in existence since 1 July 1988. The superannuation fund can only claim anti-detriment payments where there are sufficient reserves in the fund to make the payment. If you'd like to know more, please call an AXIS adviser on 1800 111 299.

## Mortgage Funds Frozen

Various property, mortgage and income funds have been frozen as a consequence of the Federal Government's decision to guarantee bank deposits. This decision, along with market volatility, caused a rush of redemptions from such funds at the time.

Superannuation law allows for a 28 day redemption of funds and the level of redemptions meant that the funds would have had to liquidate assets to meet demand. Many of these funds have positive returns with asset sales not being in the interest of all parties. As the Trustee is under an obligation to protect member benefits, such managed funds have been closed on investment choice menus and no further contributions allowed. AXIS Financial Group reviewed all investment portfolios and has been communicating the new option to all employees since December 2008. Any switch forms completed by employees are partially transacted with their investment in any frozen fund simply taking time to manage. Yet another aspect of the 2008 financial crisis that remains to be corrected .

## Super Industry Reporting Plan

Superannuation trustees and wealth management companies have criticised a proposal by the industry regulator to provide performance data, thus setting the scene for a new debate within the retirement savings industry. Apparently, no one can agree on a formula to provide an "apples with apples" comparison.

Certain segments of the industry argue that the proposal doesn't provide sufficient detail to allow for a truly informed decision by the investor. The risk is that the investment community might be misled and make the wrong choice. The Australian Institute of Superannuation Trustees concluded that marketing departments for product providers would find positive short term performance figures that attract the investor. IFSA argues that the most important information for investors is the options they have available from the investment choice menu. Another interesting point of discussion with information to watch out for when published! Additional information is often good but must always be examined and interpreted in the light of day.

## A Canadian in Australia

A Canadian expert in pension systems has reviewed Australian superannuation and considers the biggest threat is in longevity risks. In other words, more people are outliving their life expectancy.

His solution is to use some of an accrued superannuation benefit to purchase longevity insurance through an accredited default fund and references Australian superannuation as the testing laboratory for the world!

His report surmised that most Australians are poorly informed, unmotivated and incapable of managing their own self interest. As a result he says choice of fund has been a failure as it drives individuals to higher fees rather than creating a system of easy management of superannuation. His report argues that having superannuation funds of world scale is the best way to improve growth of asset and quality of service. Certainly an interesting point of view, but I imagine there would be a few comments on the writer's view of Australians being poorly informed, unmotivated and incapable of managing their own self interest!

## Industry Funds and Valuations

The Australian Financial Review (24 November 2008) reported that superannuation funds face a series of write-downs as major funds revalue their unlisted assets. Master trusts as distinct from industry funds have unitised pricing, which better reports the daily fluctuation in asset value within managed funds.

They do not hold unlisted investments or direct investments in illiquid assets. Industry funds hold both types of assets. The valuation of such assets may be annual and is not investor driven. Industry funds are not doing anything wrong. They are simply different, less sophisticated products than master trusts in terms of up to date asset valuation.



## AXIS Administration

Collectively, AXIS Administrators have more contact with clients than most advisers. They are always available at the end of the phone or by email to assist you with the service you want to receive. They are a strongly bonded team who take pride in their ability to handle all queries that come into our Perth office. What a team!

Bernie Carroll leads the whole servicing team including Technical Services and the Adviser Group. Bernie says "We are a strong, well bonded team, motivated to deliver excellent Customer Service. Whatever your query we pride ourselves on being able to assist you in a timely and efficient manner. We also appreciate your feedback good or bad, so please call us on Freecall 1800 111 299 if you need assistance."

On average all the Administrators have been with AXIS in excess of two years and the longest servicing Administrator is Steph Emmot who has been with AXIS since 2002. Josh is the only male Administrator and he constantly pleads for another guy to be recruited or even a promotion out of Administration.

If you have need to ask questions about your superannuation, please call your friendly neighbourhood Administrator on 1800 111 299 or email us at [super@axisfg.com.au](mailto:super@axisfg.com.au)

Such a super bunch of people!



*Administration Team from left to right:  
Seated - Mia D'Alessandro, Ellen Pager  
Standing - Shannon Cleary, Bernie Carroll,  
Josh Teh and Steph Emmott  
Absent from photograph: Leigh Matsinger  
and Jo McIllduff*

## List of Locations

Whilst the majority of our clients are in Perth and WA, AXIS is providing services on a regular basis to the following locations:

### Western Australia

Albany; Australind; Broome;  
Bunbury; Burrup;  
Busselton; Geraldton;  
Henderson; Kalgoorlie;  
Karratha; Mandurah; Margaret  
River; Merredin;  
Moora; Northam; Port Hedland;  
Rockingham; Varanus Island;  
Wagin

### South Australia

Adelaide

### Queensland

Brisbane, Cairns,  
Mackay, Townsville

### New South Wales

Sydney  
Griffith  
Newcastle

### ACT

Canberra

### NT

Darwin

### Victoria

Melbourne  
Mildura

### Overseas

Tanzania  
Hong Kong  
West Africa  
Nigeria  
Yemen  
Papua New Guinea  
Dubai  
Canada

## Visit us:

Level 11  
London House  
216 St Georges Terrace  
Perth WA 6000

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PO Box 7259  
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Perth WA 6850

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