

Making the most of a super opportunity



INFORMER

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Making the Most of a Super Opportunity

One of the best things about being young is that time is on your side. This enables you to truly maximise your wealth potential, as you can start the ball rolling early. An important aspect of your overall financial affairs is your super. Implementing simple saving strategies when you're young, can make a significant difference to your final account balance. This Informer highlights some issues to consider to help you maximise the growth potential of your super.

Why is your super so important?

Aside from your home, your super is likely to be the most valuable asset you'll ever own and the most amount of money you'll see in one hit. It is one of the most tax-effective ways to save for the future, so it's important to take an interest in it sooner rather than later.

While you're young, single and generally debt-free, it's easier to focus on simple ways to increase the size of your super account balance. And, once you've started on a simple saving strategy, you'll only need to review it when you're personal circumstances change such as if you get married, start a family or you're nearing retirement.

How can you make the most of your super?

Your super is your money. And, it's this money you'll use to support yourself, when you stop working altogether and retire. Naturally, the more super you save, the better off you'll be when you retire.

So, how can you build this money up as much as possible? There are two simple strategies.

1. Make your investments count

Your first strategy is to invest wisely. This means putting your money into investment options that match your financial goals. And, you have a number of choices available.

You can invest in growth assets (eg Australian shares, international shares and listed property) and defensive assets (eg bonds and cash).

Growth assets usually provide a higher return, but also involve taking greater risk. By "risk", we mean the chance of losing money.

On the flip side, defensive assets usually provide a lower return, but equate to lower risk.

Superannuation is a long-term investment and the following table provides you with the returns of the major asset classes over the last 20 years.

Performance as at 30th June 2011			
Asset Class	1 Yr	10 Yr	20 Yr
Growth Assets			
Australian Shares	12.2%	7.4%	10.0%
International	2.7%	-3.7%	5.1%
Listed Property	5.8%	7.0%	5.8%
Defensive Assets			
Australian Bonds	5.5%	6.2%	8.0%
Cash	5.0%	5.4%	5.9%

Source: Vanguard Index Chart 2011.

So, how do you choose the right investments for you? This is where AXIS can help with your decision-making.

One size doesn't fit all

AXIS' top priority is to help you maximise the growth potential of your super. However, everyone is different. So, before we invest your money, we assess your personal risk profile against your investment objective.

Your risk profile is a gauge of how much risk you're willing to take. Your investment objective refers to what you'd like to achieve financially from your investment.

From this, we invest your money in one of five pre-mixed portfolios, which cater for every level of risk profile:

Portfolio	Chance of a negative return
Conservative	Once every 22 years
Cautious	Once every 9 years
Prudent	Once every 7 years
Assertive	Once every 6 years
Aggressive	Once every 5 years

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A strategic approach to investing

When constructing the above portfolios, we aim to achieve solid, long term returns that exceed a relevant benchmark. We do this by adopting a strategic approach to asset allocation for the portfolios. This approach focuses on passively managing the portfolios and is not driven by immediate events in the marketplace. Therefore, the asset allocation for each portfolio will remain fairly constant throughout the year.

Using a strategic approach for portfolio construction combines a proportional mix of asset classes, based on their expected rates of return. For example, if shares have historically returned 10% pa and bonds have returned 5% pa, a 50/50 split of shares and bonds would be expected to return 7.5% per year.

The following table shows you the percentage split of growth versus defensive assets, for each of our pre-mixed portfolios:

Portfolio	Growth	Defensive
Conservative	26%	74%
Cautious	48%	52%
Prudent	68%	32%
Assertive	85%	15%
Aggressive	100%	0%

Diversification

Diversification is a common strategy used by professional investment managers to reduce risk and smooth out negative returns.

The advantage of investing in our pre-mixed portfolios is that they diversify at two levels – across asset classes and fund managers.

However, you effectively get a third level of diversification, as different fund managers employ different investment styles.

Seeing the bigger picture

It's human nature to see the road itself rather than the end of the road. The same goes when people invest. Instead of focusing on their final retirement balance, they tend to look at the day to day balance. This is when panic can set in and people switch investment options.

Remember that, negative returns usually even out over the long term. And, it's common for financial markets to fall after lengthy periods of strong returns. However, history shows us that markets always recover.

That's why you need to stay focused on your retirement goals and avoid the urge to switch, based on short term performance.

2. Making additional contributions

The second strategy that can help you build your super is adding extra money. This can be done by making concessional (ie pre-tax) and non-concessional (ie after-tax) contributions.

Now, you need to keep an eye on how much you contribute, as there are annual limits for each type of contribution. And, if you exceed those limits, you'll be taxed heavily.

Annual contribution limits until 30 June 2012

Age	Annual Limit Non-Concessional
Under 65	\$150,000 per person or \$450,000 over a 3 year period
65 – 74*	\$150,000 per person

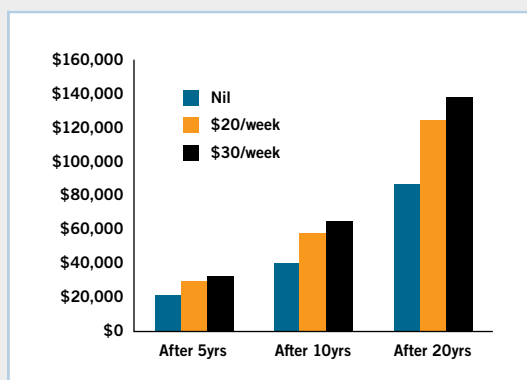
*Must satisfy the work test.

Age	Annual Limit Concessional
Under 50	\$25,000 per person
50 and over	\$50,000 per person

Remember, concessional contributions include your employer's 9% pa contributions plus any salary sacrifice contributions you make.

Benefits of additional contributions

Let's assume your salary is \$40,000pa and you receive 9% SGC from your employer and you also make after-tax contributions to super.

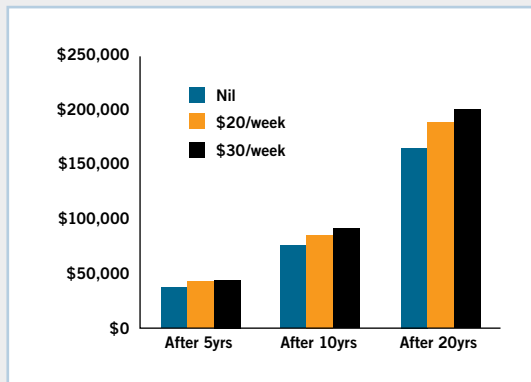


Assumptions: Starting balance of \$5,000 earning 8.0%pa before tax & fees (1.4%pa). MoneySmart Superannuation calculator.

Let's assume your salary is \$80,000pa and you receive 9% SGC from your employer and you also make salary sacrifice contributions.

Keeping your super invested with AXIS Financial Group will ensure that your retirement goals are on track and your strategy remains focused.

While your super is ideally there to support you financially once you retire, it can also provide significant financial assistance to your dependents in the event of your death.



Assumptions: Starting balance of \$5,000 earning 8.0%pa before tax & fees (1.4%pa). MoneySmart Superannuation calculator.

Consolidation

If you're like a lot of people, you'll probably have more than one super fund. This usually means you're paying multiple fees and receiving multiple accounts and paperwork.

However, it can also lead to a less focused investment strategy, which could impact the growth potential of your super.

AXIS Financial Group has been helping people consolidate their super for over 17 years. So, if you'd like some help finding and consolidating your super, just call us and we'll take care of it for you.

What other super opportunities are available?

While your super is ideally there to support you financially once you've stopped working, it can also provide significant financial assistance to your dependants in the event of your death. This is why it's extremely important to nominate a beneficiary.

Nominating a beneficiary instructs the Trustee to pay the balance of your super and any insurance cover to a certain person(s). Your nomination can be binding or non-binding and depends on the rules of your super fund.

Binding nominations mean that the Trustee of the fund must pay your benefit to the person(s) you nominate.

Non-binding nominations provide a guide for the Trustee in deciding who receives your benefit. If you don't nominate a beneficiary, any death benefit payable is left to the discretion of the Trustee. Where the Trustee decides to pay the estate, the benefit is distributed to the beneficiaries in accordance with the Will.

With binding nominations, some super funds also allow you to nominate **how the death benefit is paid** to your dependants. For example, you can nominate whether you want the benefit paid as a lump sum or as a pension. This part of the nomination may be binding or non-binding on the Trustee and AXIS Financial Group can provide assistance with this if you're uncertain.

How can AXIS Financial Group help?

If you would like to make sure that you are on the right track to making the most out of your super, AXIS Financial Group is able to assist you. Whether it's advising you on;

- An investment strategy,
- A contribution strategy,
- Consolidating multiple super accounts or
- Nominating a superannuation beneficiary

we can offer independent, quality financial advice in corporate and personal super.

AXIS Financial Group has over 17 years of experience in corporate and personal super and prides itself in providing personal service. If you would like to know more about your superannuation then please contact us.

You can meet with an adviser at your work site or you can arrange to come into our office for an appointment. Alternatively give us a call on **Freecall 1800 111 299** or email us at super@axisfg.com.au.



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