

SuperFocus is our monthly employer update on changes within super and how they might impact your company and employees.



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AXIS SuperFocus - November 2007

Cutting to the chase...

Here's what we mean when we use the following acronyms:

APRA – Australian Prudential Regulation Authority

ASFA – Association of Superannuation Funds of Australia

ASIC – Australian Securities and Investments Commission

ATO – Australian Taxation Office

Online calculators don't add up

Educating members about their super has been high on the list of regulators, super funds and other financial services institutions for some time. One of the most useful tools to help in this process has been online calculators. After plugging in a few figures when prompted, members can see roughly how much their final retirement account balance will be.

Great idea in theory but, according to recent research, members should be wary of the results these calculators are producing, as they can vary a lot between providers. In a recent examination of the different web based calculators, actuarial firm, Rice Warner, found the following:

- the results could vary widely between different calculators due to the range of assumptions and means of calculation used;
- a small number of calculators do not conform with ASIC's requirements (eg the ability to change default values);
- not all funds update their calculators in line with changes to legislation.

AXIS can help your members work out their retirement needs with our own projection analysis. What's more, we can help with super and insurance. Call us to arrange an onsite demo for you and your employees.

New ATO online calculators

The ATO has launched three new online calculators to help employers navigate their way through the Better Super changes:

- Crystallisation calculator – helps you to work out the crystallised (ie frozen at 30 June 2007) part of the tax-free component of a member's super.
- Benefit Component calculator – helps you to work out the tax-free and taxable percentage components of a member's super.
- Employment Termination Payment calculator –

helps you to work out the tax-free and taxable components for ETPs made on or after 1 July 2007.

From the home page www.ato.gov.au click on the superannuation calculators link to the left.

Members benefiting from financial advisers

Research commissioned by ASFA has found that more super fund members are seeking help from financial advisers, with many benefiting from the relationship.

At the National ASFA Conference held in November, Margaret Gibbs, Director of leading research firm, ANOP shared some of their findings:

- those using advisers tended to be more aware of super issues and, therefore, have been more likely to participate in the Better Super changes;
- those using advisers tended to be wealthier, older people and, more often, women;
- those not using an adviser believed they didn't require financial help, were capable of managing matters themselves and didn't want to incur the costs.

Higher SG not employer's responsibility

According to further super research conducted by ANOP, many Australians believe that it's down to them to make additional contributions to boost their retirement savings and not their employers.

In response to the data, ASFA's CEO, Pauline Vamos, commented, "[these findings reveal that] people think that employers have already done their bit at 9%". She further added that it was under these circumstances that "soft compulsion and the superannuation co-contribution" were important factors in lifting contributions over the existing 9% level. ASFA intends to continue championing the cause of widening the co-contribution to include middle income earners.

Does the AML/CTF legislation capture super accounts?

With the December deadline for funds to be compliant with the Anti-Money Laundering/Counter-Terrorism Financing legislation looming, there still appears to be some points that need ironing out.



In a submission to AUSTRAC this month, ASFA sought clarification on the definition of “account” and whether it includes member accounts in super funds. ASFA highlights that, while the legislation suggests that “accounts” refers to “financial institutions”, this point needs to be clarified, as super funds are defined under law as trusts. We’ll update you on the outcome once a decision has been made.

What goes around comes around

With the share markets – particularly the Australian and property – having wowed us all for the past four years, it’s easy to forget how down in the mouth super funds were just five years ago. For those of you who may not remember, the 2001/02 financial year was being touted as one of the worst on record in terms of fund returns. With a lot of uncertainty creeping in over the past few months from the US sub-prime market fall out, it’s timely to start preparing members for less favourable returns.

As AXIS portfolios are constructed using a strategic approach to asset allocation, our longer term returns tend to be fairly consistent. However, our member educationals highlight the importance of not chasing returns – a behavioural pattern that quickly manifests when members see their accounts fall in value. If you’re interested, we’d be happy to talk with your members about the events currently driving the share markets and our forecasts for the coming year.

How employers can help Australia’s underinsurance problem

We’ve highlighted Australia’s major underinsurance problems in several publications. However, new research by insurer, Metlife, has further underscored the insurance gap, revealing how much we lag behind the US and UK in terms of planning our financial futures.

According to the data, while we’re “very concerned” about our financial situation in the event of premature death, disability or serious illness, we’re mostly unprepared to do anything about it. The study found that 65% of Australians had “not taken steps to assess household income needs” in the case of disability, compared to 56% in the US and UK. And, in terms of death, 58% of Australian households were unprepared financially, compared to 40% in the US and 22% in the UK.

One of the most significant findings from the research was that employers in the US, impacted by workforce shortages, were re-addressing their employee benefits, including the provision of insurance, as a means to attract and retain skilled staff.



Summing up the research, Metlife Australia’s Chief Executive, Tassin Barnard noted, “There is a clear opportunity for Australian businesses to both help their employees and attract top talent. Experience in the US suggests that well-targeted financial benefits can help attract, retain and reward talented people”.

Trustee duties to be mindful of death benefit payments

A recent decision by the Superannuation Complaints Tribunal (SCT) has reinforced the extent of duties and obligations falling upon trustees of super funds. In this particular case, the SCT’s decision related to a fund member who moved to Australia 12 years ago to live with his sister, leaving his wife and children overseas.

The member lived with his sister for five years, prior to his death this year, and had nominated her as the beneficiary of his super. There was no evidence of a Will having been made. Upon his death, the Trustee failed to locate the spouse and children, despite extensive efforts to do so. In distributing the benefit, the Trustee chose to pay 20% of the death benefit to the deceased member’s sister (as a dependant) and the remaining 80% to the Register of Unclaimed Monies. The sister argued that she was entitled to receive the entire benefit.

The SCT overturned the Trustee’s decision and found in favour of the sister. Their decision was based on the grounds that it was not fair or reasonable for the Trustee to allocate the 80% portion of the benefit as unclaimed money, as this was obviously the portion that the Trustee deemed payable to the spouse and children. Given the financial dependency relationship that existed between the sister and the deceased and the fact that there had been no contact between the deceased and his spouse/children since his arrival in Australia, the SCT deemed it appropriate that the entire benefit be paid to the sister.

Super Diary Dates - 28 November Superannuation Guarantee Charge Statement due. If quarterly contributions for the period 1 July 2007 – 30 September 2007 weren’t made on time, employers must pay the Superannuation Guarantee Charge and lodge a *Superannuation Guarantee Charge Statement – Quarterly* with the Tax Office. The Superannuation Guarantee Charge is not tax deductible.

If you have any questions regarding the information in this bulletin, please contact your adviser:

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