HEIDELBERG SUPER — NEWSLETTER – *June 2014*

a super start
setting up for your future

Super Update

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Welcome to *Super Update*, the newsletter for the Heidelberg Australia Superannuation Fund that keeps you up to date with what's happening with your super. If you have any suggestions for articles in future issues of *Super Update*, please forward them to the Fund Secretary.

How your super is performing

The Reserve Bank of Australia (RBA) held the official cash rate level of 2.5% at each of its meetings over the calendar year to date. The RBA Board indicated that it believes that the most prudent course of action is likely to be a period of stability in interest rates.

Share markets have continued to deliver positive returns over the five months to the end of May 2014. International shares returned 4.9% on a hedged basis and 0.1% on an unhedged basis (as measured by the MSCI World ex-Australia Index, hedged and unhedged, respectively), whilst Australian shares returned 4.4% for the same period (as measured by the S&P/ASX 300 Accumulation Index).

Unhedged international share market returns were dragged down somewhat by the strengthening Australian dollar since the start of the 2014 calendar year. The rebound in the Australian dollar relative to the US Dollar (rising from 89.48 US cents at the end of December 2013 to 93.19 US cents as at 31 May 2014) and against the currencies of Australia's major trading partners (as measured by the Trade Weighted Index which rose from 68.9 to 71.5 over the same period) had a negative effect on assets valued in overseas currencies, causing unhedged international shares to underperform hedged international shares.

In terms of economic news since the beginning of the calendar year, data out of the US was the most encouraging, despite the bout of extremely cold weather which impacted on economic activity, suggesting the recovery is continuing.

Meanwhile, news out of both Europe and China was mixed, although markets found some relief in the successful completion of the European elections in May. Survey results continue to indicate a contraction in Chinese manufacturing over 2014 so far, although confidence is growing that recently announced spending measures and monetary easing will support growth of around 7.5% for the financial year as a whole, which is far from the 'hard landing' many feared.

Indicator of economic conditions in Australia have been mixed over the year to date, with modest improvements in the labour market and strong conditions in the housing market accompanied by weakening consumer sentiment, particularly following the release of the Federal Budget, and record-low levels of wages growth.

Bond yields fell significantly across the major markets over the calendar year to date, which is positive for bond returns. Yields on 10-year government bonds went from 3.0% to 2.6% in the UK, 3.0% to 2.5% in the US, 1.9% to 1.4% in Germany and 4.2% to 3.7% in Australia, leading to Index returns of 3.8% for Australia (as measured by the UBS Composite Bond Index (all maturities)) and 4.8% for global bonds (as measured by the Barclays Global Aggregate Bond Index (hedged to AUD)) for five months to 31 May 2014.

Returns for the year to date are shown in the table below.

Please remember that past performance is not necessarily a reliable indicator of future performance.

Investment option	Year to date – 1 Jul 2013 to 31 May 2014
Diversified Shares	19.6%
Growth	13.9%
Balanced	10.5%
Capital Stable	7.2%
Cash	2.1%

Note: Returns shown in the above table are net of investment fees and taxes and an allowance for the build up of the Fund's Operational Risk Financial Requirement.

New Trustee Director

Ashad Perera and Noel Renwick have been reconfirmed as Directors on the Fund's Trustee Board for a further three years following recent elections. In both elections, only one valid nomination was received for the vacant position. Ashad has been re-elected from 29 April 2014 for a further three year term whilst Noel's fresh term of office commences on 4 June 2014. Please congratulate both on their re-election.

The Trustee Board is responsible for making sure the Fund is managed properly in accordance with relevant law and the Fund's Trust Deed.

The current Directors are:

Member-elected	Company-appointed
Ashad Perera	Con Xanthos
Noel Renwick	Guy Williamson

Budget update

In the recent Federal Budget there were several changes related to superannuation and a number of planned changes to the Age Pension which may affect your retirement planning. However, there were no changes to how super is taxed, the level of the contribution caps or your preservation age. Here is a summary of the key proposals. We will keep you updated as more details become available.

Superannuation Guarantee (SG) increases delayed

Proposed increases to the SG rate will be delayed. The SG rate is currently 9.25% of Ordinary Time Earnings and will increase to 9.5% from 1 July 2014 in keeping with existing legislation. It will remain at 9.5% for four years until 30 June 2018, and then increase by 0.5% p.a. each year from 1 July 2018 until it reaches 12% from 1 July 2022, three years later than currently legislated.

Ability to withdraw excess non-concessional contributions

The Government has announced that if you exceed the non-concessional contribution cap, you will have the option to withdraw the excess amount (and associated earnings) and only pay tax at your marginal tax rate on the associated earnings. This will benefit anyone who accidentally exceeds the cap and provides the opportunity to avoid paying the penalty tax. Currently the overall penalty tax on these amounts can be as high as 93%. Full details of this proposal are still to be finalised.

Other superannuation changes

These include:

- The new Paid Parental Leave Scheme will include superannuation payments.
- The First Home Saver Accounts Scheme will be abolished. The Government contribution will cease from 1 July 2014, and the tax concessions, and income and assets test exemptions, will cease on 1 July 2015.
- The Temporary Budget Repair Levy of an extra 2% for those earning more than $180,000 p.a. will also apply to some superannuation taxes. This change is now law.

Changes to the Age Pension

Eligibility age to rise

The age at which you become eligible for the Age Pension will increase progressively to age 70 by 1 July 2035. If you were born before 1 July 1958, your pension eligibility age is unchanged.

See the table below for the proposed new eligibility ages. No corresponding changes to superannuation preservation ages were announced (this is the age at which you can access your super in cash).

Date of birth	Eligibility age for pension
1 July 1952 to 31 December 1953	65.5
1 January 1954 to 30 June 1955	66
1 July 1955 to 31 December 1956	66.5
1 January 1957 to 30 June 1958	67
1 July 1958 to 31 December 1959	67.5
1 January 1960 to 30 June 1961	68
1 July 1961 to 31 December 1962	68.5
1 January 1963 to 30 June 1964	69
1 July 1964 to 31 December 1965	69.5
1 January 1966 and later	70

Other changes

A variety of other measures were announced which will affect the amount and availability of the Age Pension and associated concessions:

- From 1 September 2017 the Age Pension will be indexed to increases in the Consumer Price Index (CPI) instead of the current arrangements. At present, indexation is linked to the greater of CPI, Total Male Average Weekly Earnings and the Pensioner and Beneficiary Cost of Living Index.
- The eligibility thresholds for the asset and income tests for pensions will be fixed for three years from 1 July 2017.
- From September 2017, the deeming thresholds for the income test will be reduced to $30,000 for singles and $50,000 for pensioner couples, which will tighten the income test. Deeming rules are used when calculating pension eligibility to assume financial assets are earning a certain amount of income, regardless of the income they actually earn.
- The Seniors Health Card will be harder to qualify for, with untaxed superannuation income counting in the definition of income when determining eligibility from 1 January 2015.

Contact information

If you have a query about any of the information provided in this newsletter, or about your super, please contact the Fund Secretary, Ashad Perera, in the first instance on **(03) 9263 3374**. The other Trustee Directors, Noel Renwick, Guy Williamson and Con Xanthos, can also provide general information about the Fund's management, features and benefits.

Alternatively, you can contact the Fund Administrator on **1800 127 953** or seek guidance from your personal financial adviser.

Issued by Heidelberg Australia Superannuation Pty Ltd (ABN 94 068 569 193), as Trustee of the Heidelberg Australia Superannuation Fund (ABN 75 071 229 817). June 2014.